NORTH Dakota | Teachers' Fund For Retirement
Be Legendary. RETIREMENT & INVESTMENT

ND TFFR Board Meeting
Thursday, April 25, 2024, 1:00 p.m.
WSI Board Room (In Person), 1600 E Century Ave, Bismarck ND
Click here to join the meeting

AGENDA

I. **CALL TO ORDER AND ACCEPTANCE OF AGENDA** ***(Board Action)***
   A. Pledge of Allegiance
   B. Conflict of Interest Disclosure
   C. Introduction of Staff
   D. Executive Summary

II. **ACCEPTANCE OF MINUTES (March 21, 2024)** ***(Board Action)***

III. **GOVERNANCE (75 minutes)**
   A. Plan Management Policy Update *(Board Action)* – GRS
   B. 2024-25 Board Calendar and Education Plan *(Board Action)* – Ms. Murtha
   C. Pioneer Project Update *(Information)* – Mr. Roberts
   D. Employee Benefits Programs Committee Update *(Information)* – Ms. Murtha

(Break)

IV. **REPORTS (60 minutes)** ***(Board Action)***
   A. Annual Pension Plan Comparison Report – Mr. Roberts
   B. Quarterly TFFR Ends – Mr. Roberts
   C. Quarterly Outreach Report – Ms. Mudder
   D. Executive Limitations/Staff Relations – Ms. Murtha

V. **BENEFIT COMPLIANCE REVIEW UPDATE**[1] ***(Board Action)*** – Mr. Roberts

VI. **CONSENT AGENDA – DISABILITY APPLICATION**[2] ***(Board Action)***

VII. **OTHER BUSINESS**
   A. Board Resolution for Mr. Willgohs *(Board Action)*
   B. Board Reading Materials – Material References Included
   C. Next Meetings:
      1. TFFR GPR Committee – Wednesday, May 1, 2024, at 3:30 p.m.
      2. TFFR Board Meeting - Thursday, July 25, 2024, at 1:00 p.m.

VIII. **ADJOURNMENT**

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[1] Executive Session to discuss confidential member information and attorney consultation under N.D.C.C. 15-39.1-30, N.D.C.C. 44-04-19.1(2) and 44-04-19.2.
[2] Possible Executive Session to discuss confidential member information under N.D.C.C. 15-39.1-30.

EXECUTIVE SUMMARY

TFFR Regular Meeting
April 25, 2024 – 1:00pm CT

I. **Agenda:** The **April Board Meeting will be held in the Conference Room at the WSI Building to accommodate in person attendance, however, a link will also be provided so that Board members and other attendees may join via video conference.**

- Attendees are invited to join the Board President in the Pledge of Allegiance.
- Introduction of new staff members.
- Conflict of Interest Disclosure: For best practice board members are asked to review the agenda and note any potential conflicts of interest for an item in advance of or at the start of the meeting. Conflicts can be documented using the following form: Conflict of Interest Disclosure Form 8 17 2022 .pdf (nd.gov)

II. **Minutes (Board Action):** The March 21, 2024, Board meeting minutes are included for review and approval.

III. **A. Plan Management Policy Score Update (Board Action):** GRS will provide a brief background on the purpose of the Plan Management Policy Review and Score; and present an updated TFFR Plan Management Policy Score for Board acceptance.

B. 2024-2025 Board Calendar and Education Plan (Board Action): Ms. Murtha will present a proposed 2023-2024 Board Calendar and Education plan for Board approval.

C. Pioneer Project Update (Information): Mr. Roberts will provide the Board with an update on the current status of the Pioneer project.

D. Employee Benefits Programs Committee Update (Information): Ms. Murtha will provide the Board with an update on the current activities of the EBPC to be held on April 25, 2024.

IV. **Reports (Board Action):** Staff will provide reports on annual pension plan comparisons, quarterly TFFR Ends, quarterly outreach activities, and executive limitations/staff relations.

V./VI. Confidential materials for items V. and VI. will be sent to Board members via a secure link.

Adjournment.

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MARCH 21, 2024, BOARD MEETING

BOARD MEMBERS PRESENT:	Dr. Rob Lech, President Mike Burton, Vice President Kirsten Baesler, State Supt. DPI Thomas Beadle, State Treasurer Scott Evanoff, Trustee Cody Mickelson, Trustee
BOARD MEMBER ABSENT:	Jordan Willgohs, Trustee
STAFF PRESENT:	Mensah Anyide-Ocloo, Membership Spec. Jennifer Ferderer, Investment Admin. Asst. Jayme Heick, Retirement Spec. Missy Kopp, Exec. Assistant Sarah Mudder, Communications/Outreach Dir. Jan Murtha, Exec. Director Matt Posch, Sr. Investment Officer Chad Roberts, DED/CRO Sara Seiler, Supvr. of Internal Audit Rachelle Smith, Retirement Admin. Dottie Thorsen, Internal Auditor Tami Volkert, Retirement Compliance Spec. Denise Weeks, Retirement Program Mgr.
OTHERS PRESENT:	Dean DePountis, Atty. General's Office Members of the Public

CALL TO ORDER:

Dr. Lech, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the meeting to order at 1:00 p.m. on Thursday, March 21, 2024. The meeting was held virtually.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: SUPT. BAESLER, TREASURER BEADLE, MR. BURTON, MR. EVANOFF, DR. LECH, AND MR. MICKELSON.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the March 21, 2024, meeting.

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

AYES: SUPT. BAESLER, TREASURER BEADLE, MR. BURTON, MR. MICKELSON, MR. EVANOFF, AND PRES. LECH
NAYS: NONE
ABSENT: MR. WILLGOHS
MOTION CARRIED

ACCEPTANCE OF MINUTES:

The Board considered the minutes for the January 25, 2024, TFFR Board meeting.

IT WAS MOVED BY MR. BURTON AND SECONDED BY MR. EVANOFF AND CARRIED BY A VOICE VOTE TO ACCEPT THE JANUARY 25, 2024, MINUTES AS DISTRIBUTED.

AYES: MR. MICKELSON, MR. EVANOFF, TREASURER BEADLE, MR. BURTON, SUPT. BAESLER, AND PRES. LECH
NAYS: NONE
ABSENT: MR. WILLGOHS
MOTION CARRIED

EDUCATION:

Fiduciary Duties and Ethics:

Mr. DePountis, Assistant Attorney General, presented education on Fiduciary Duties and Ethics. Mr. DePountis reviewed terminology and Century Code language that establishes the retirement trust and outlines the responsibilities of the trustees. The definition of a fiduciary was discussed and included an explanation of who a fiduciary is and their duties and responsibilities under the law. Mr. DePountis described the types of conflict of interest and how board members should prepare for meetings, so they are aware of possible conflicts. Board discussion followed.

GOVERNANCE:

RIO Strategic Plan:

Ms. Murtha presented the RIO strategy review to the Board. The new strategic plan was completed and has been presented to RIO staff, the Governor's Office. The plan will be presented to the State Investment Board. RIO's agency priorities are outreach, organizational culture, and technology. One of the requirements for the strategy review were "Big Hairy Audacious Goals" (BHAGS) which look ahead five to ten years. RIO staff received input from board and committee members and included five BHAGs in the plan. These goals include, ND cash management practices, internal investment expansion, benefits administration optimization, financial/retirement literacy, and to be an industry leader. Ms. Murtha provided details for each of these goals including the problems being solved, prioritization, and a long-term timeline and action plan. Ms. Murtha reviewed planned legislative initiatives and a workforce plan. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. BURTON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT RIO'S STRATEGIC PLAN AS PRESENTED.

AYES: TREASURER BEADLE, SUPT. BAESLER, MR. EVANOFF, MR. BURTON, MR. MICKELSON, AND PRES. LECH
NAYS: NONE
ABSENT: MR. WILLGOHS
MOTION CARRIED

2025 Legislative Session Planning:

Ms. Murtha reviewed the changes to federal law that raised the Required Minimum Distribution (RMD) age. The Employee Benefits Program Committee (EBPC) approved the TFFR Board request for an interim change to state law in November 2023, however a bill must be submitted in the upcoming legislative session to ratify the change in state law. Proposed language for legislation was provided to the Board for review and approval. The proposed legislation must be submitted to the EBPC by April 1, 2024. Board discussion followed.

IT WAS MOVED BY MR. WILLGOHS AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE PROPOSED LEGISLATION FOR SUBMISSION TO THE EMPLOYEE BENEFITS PROGRAMS COMMITTEE.

AYES; MR. BURTON, MR. MICKELSON, SUPT. BAESLER, MR. EVANOFF, TREASURER BEADLE, AND PRES. LECH
NAYS: NONE
ABSENT: MR. WILLGOHS
MOTION CARRIED

Governance & Policy Review (GPR) Committee Update:

Mr. Mickelson provided an update from the February 8, 2024, meeting of the TFFR GPR Committee. The Committee reviewed the next section of the governance manual and discussed some minor changes that were mainly clarifying in nature. Board discussion followed.

Pioneer Project Update:

Mr. Roberts provided an update on the Pioneer Project. The project continues to be on schedule and slightly under budget. A summary was provided of tasks that have been completed, are in progress, or have not been started. User acceptance testing has started and is going well. Data migration is expected to finish on time. The vendor is working to provide a plan to address design and implementation of uniform pay codes into the system. The pay code feature was addressed during design meetings, however the vendor failed to capture the features in their designs. Any cost or delay caused by the vendor's omission of the pay codes has yet to be established. Board discussion followed.

Administrative Rules Update:

Ms. Murtha provided an update on the Administrative Rules process. Staff presented to the Administrative Rules Committee on March 5, 2024. The process is now complete, and the new and updated rules will be published on April 1, 2024.

Performance Surveys:

Ms. Seiler explained the evaluation process the SIB Executive Review and Compensation Committee (ERCC) undertakes. A part of the process is surveys of the boards. TFFR Board members will receive surveys about the Executive Director and the Deputy Executive

Director/Chief Retirement Officer. The survey responses will be used as part of the evaluation process.

Audit Committee Update:

Ms. Seiler provided an update from the February 15, 2024, Audit Committee Meeting. The Committee approved the second quarter and current audit activities reports, and audit modernization project update. The Committee reviewed and approved changes to the Audit Committee charter. The charter will be reviewed next by the SIB GPR Committee. The Committee reviewed and approved the Executive Limitations Audit.

The Board recessed at 2:42 p.m. and reconvened at 2:47 p.m.

REPORTS:

Quarterly Investment Report:

Mr. Posch provided an investment performance update as of December 31, 2023. Mr. Posch provided a summary of market returns for the second half of 2023 and first quarter of 2024. During that period, performance has been good with inflation stabilizing and more optimism in equities. There continues to be stress in real estate. As of January 2024, TFFR's total relative return is 0.6% for the one, three, and five-year periods. TFFR continues to perform well compared to peers. Board discussion followed.

Annual Retirement Trends Report:

Mr. Roberts provided the Annual Retirement Trends Report for fiscal year (FY) 2023. The report reviewed classification of TFFR members and current membership statistics. Of the 14,191 total members, 610 were eligible to retire. Over the past ten years an average of 942 teachers have been eligible to retire with an average of 367 actually retiring. 95% of members are ineligible for retirement and total retirements should continue to decline through 2028. Board discussion followed.

Executive Limitations/Staff Relations Report:

Ms. Murtha provided the Executive Limitations/Staff Relations report. There are two new board member onboarding sessions scheduled for April. The last section of the SIB Governance Manual will be covered on April 3, 2024, and a Risk Strategy Overview session will be on April 25, 2024. Ms. Murtha reviewed current projects and initiatives. Board discussion followed.

IT WAS MOVED BY MR. BURTON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO ACCEPT THE QUARTERLY INVESTMENT, ANNUAL RETIREMENT TRENDS, AND THE EXECUTIVE LIMITATIONS/STAFF RELATIONS REPORTS.

AYES: MR. EVANOFF, MR. MICKELSON, SUPT. BAESLER, TREASURER BEADLE, MR. BURTON, AND PRES. LECH
NAYS: NONE
ABSENT: MR. WILLGOHS
MOTION CARRIED

CONSENT AGENDA:

IT WAS MOVED BY MR. MICKELSON AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE DISABILITY APPLICATIONS 2024-1D AND 2024-2D.

AYES: MR. BURTON, MR. EVANOFF, TREASURER BEADLE, MR. MICKELSON, SUPT. BAESLER, AND PRES. LECH
NAYS: NONE
ABSENT: MR. WILLGOHS
MOTION CARRIED

ADJOURNMENT:

With no further business to come before the Board, Pres. Lech adjourned the meeting at 3:38 p.m.

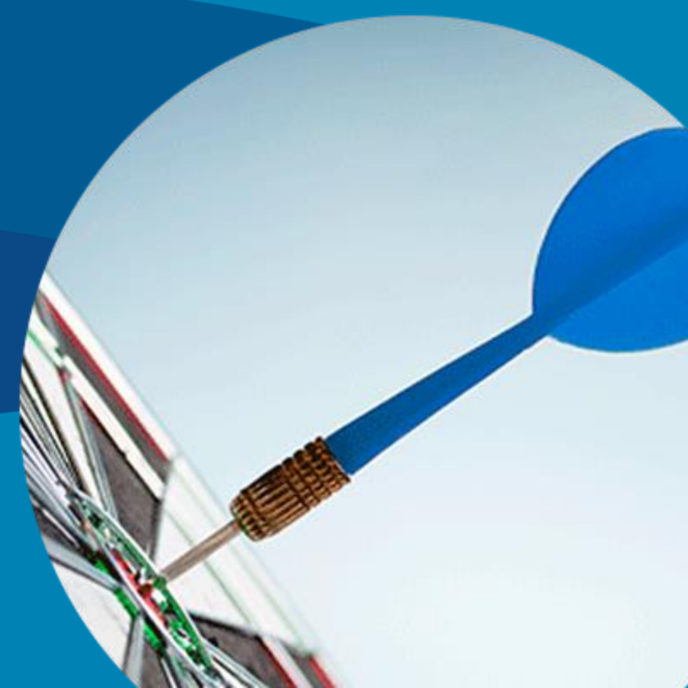
Prepared by,

Missy Kopp, Assistant to the Board

North Dakota Teachers' Fund for Retirement Plan Management Policy Score Update Based on the July 1, 2023 Actuarial Valuation

Paul Wood, ASA, MAAA
Dana Woolfrey, FSA, MAAA

April 25, 2024



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Purpose

- Additional advance warning metric regarding plan sustainability (or unsustainability)
- Supplements valuation measures of contribution sufficiency
  - Actuarially determined contribution
  - Time to full funding
- Valuation metrics based on single outcome if all goes as planned
- Plan Management Policy Score attempts to take broader view of the realm of possibilities and gauge resilience
- Advances the fulfillment of fiduciary duties of the Board

Scoring Metrics

- Current funded ratio (3)
- Downside funded ratio in 2030 (3)
- Target funded ratio in 2040 (4)
- Improvement in funded ratio over a 10-year period (2)
- Ability to recover from/withstand a market downturn (2)

Approach

- Perform stochastic simulation of investment returns
- Investment return mean and standard deviation determined using
  - 2023 Horizon Survey of Capital Market Assumptions (20+ years) by asset class
  - Survey of 42 investment consultants (27 provided 20+ year assumptions)
  - TFFR asset allocation
  - Same approach used by prior actuary, apples to apples for trend purposes

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Scoring Perspective

- **Highly sensitive to current capital market expectations and recent returns**
- Sensitive to valuation assumptions (experience studies, etc)
- Fixed data points 2030/2040 will start to take on different meaning as time passes
- Most informative piece of information is long-term trend of this score
  - need to maintain the context
- Another gauge on the dash, not the only one

Asset Allocation and Capital Market Assumptions Used

	Asset Class	Target Allocation	Weighted Return	Expected Return	Standard Deviation
Equity	US Large Cap	23.0%	1.99%	8.67%	16.64%
	US Small Cap	4.0%	0.39%	9.72%	20.51%
	International Developed	14.9%	1.40%	9.38%	18.26%
	Emerging Markets	3.1%	0.35%	11.39%	23.87%
	Private Equity	10.0%	1.28%	12.77%	22.57%
Fixed	US Core	18.0%	0.89%	4.93%	5.85%
	High Yield	8.0%	0.56%	7.03%	10.01%
Alt/Other	Real Estate	9.0%	0.67%	7.48%	16.72%
	Commodities/Timber	1.3%	0.09%	6.55%	18.02%
	Infrastructure	7.7%	0.65%	8.38%	17.10%
	Cash	1.0%	0.03%	3.23%	1.09%

		Prior Year Result
Total Weighted Return	8.30%	
Adjusted to Geometric	-0.91%	
Total Long-Term Return	**7.39%**	**6.86%**
Standard Deviation	12.28%	12.18%

Replication of Prior Year Results

Score = 7

1	Current year funded ratio is 69%	If current ratio is 90% or higher: **+3** If current ratio is between 80% to 90%: **+2** If current ratio is between 70% to 80%: **+1** If current ratio is less than 70%: **+0**	*Prior year: +0 based on funded ratio of 68%*	+0
2	32% probability of funded ratio <65% in 2030	Under 65% funded ratio with less than 20% probability: **+3** Under 65% funded ratio with less than 30% probability: **+2** Under 65% funded ratio with less than 40% probability: **+1** Under 65% funded ratio with more than 40% probability: **+0**	*Prior year: +1 based on 35% probability of funded ratio <65% in 2030*	+1
3	50% probability of funded ratio >85% in 2040	85% or higher with more than 50% probability: +4 (50% probability) 80% or higher with more than 50% probability: +3 (55% probability) 75% or higher with more than 50% probability: +2 (60% probability) 70% or higher with more than 50% probability: +1 (65% probability) Not more than 70% with more than 50% probability: +0	*Prior year: +3 based on 52% probability of funded ratio >85% in 2040*	+4
4	55% probability of improvement over 10 years	Funded ratio improves by +5% over 10 years with 66% probability: +2 Funded ratio improves by +5% over 10 years with 50% probability: +1 Ratio does not improve by +5% over 10 years with 50% probability: +0	*Prior year: +1 based on 55% probability of improvement over 10 years*	+1
5	49% probability of recovering from market downturn*	Funded ratio improves by +5% over 10 years with 50% probability: +2 Funded ratio improves by +5% over 10 years with 33% probability: +1 Ratio does not improve by +5% over 10 years with 33% probability: +0	*Prior year: +1 based on 42% probability of recoveringfrom market downturn*	+1
				+7

** 1,710 scenarios contain -10% average or worse over 2 years (in the first 10 years), 751 of which "recover."*

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Plan Experience During FY 2023

- 7% fair value return during 2023
  - As expected, no anticipated change in score
- Total payroll growth 1.5% compared to 3.25% assumed
  - Puts more pressure on contributory payroll
  - Slight negative impact on score
- Overall changes in scoring expected from plan experience are negligible, primary change is from capital markets

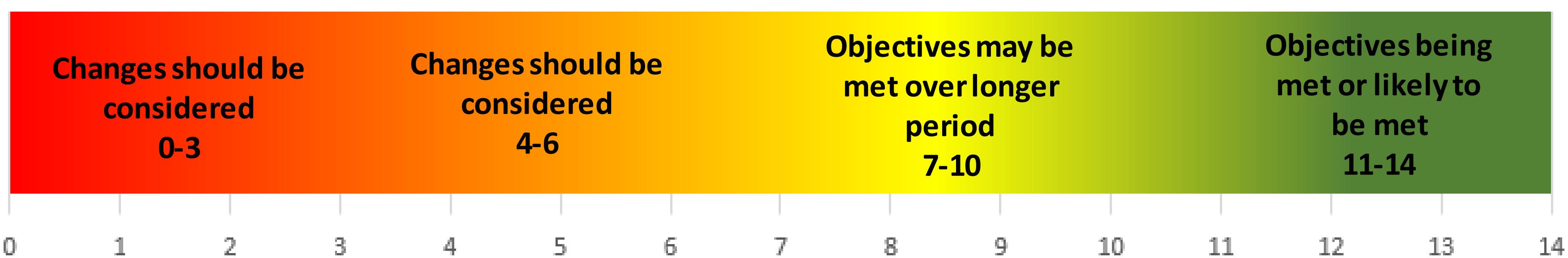
Current Results – July 1, 2023 Valuation
Score = 9

1	Current year funded ratio is 69%	If current ratio is 90% or higher: **+3** If current ratio is between 80% to 90%: **+2** If current ratio is between 70% to 80%: **+1** If current ratio is less than 70%: **+0**	*Prior year: +0 based on funded ratio of 68%*	**+0**
2	27% probability of funded ratio <65% in 2030	Under 65% funded ratio with less than 20% probability: **+3** Under 65% funded ratio with less than 30% probability: **+2** Under 65% funded ratio with less than 40% probability: **+1** Under 65% funded ratio with more than 40% probability: **+0**	*Prior year: +1 based on 35% probability of funded ratio <65% in 2030*	**+2**
3	61% probability of funded ratio >85% in 2040	85% or higher with more than 50% probability: +4 (61% probability) 80% or higher with more than 50% probability: +3 (65% probability) 75% or higher with more than 50% probability: +2 (70% probability) 70% or higher with more than 50% probability: +1 (74% probability) Not more than 70% with more than 50% probability: +0	*Prior year: +3 based on 52% probability of funded ratio >85% in 2040*	**+4**
4	63% probability of improvement over 10 years	Funded ratio improves by +5% over 10 years with 66% probability: +2 Funded ratio improves by +5% over 10 years with 50% probability: +1 Ratio does not improve by +5% over 10 years with 50% probability: +0	*Prior year: +1 based on 55% probability of improvement over 10 years*	**+1**
5	54% probability of recovering from market downturn*	Funded ratio improves by +5% over 10 years with 50% probability: +2 Funded ratio improves by +5% over 10 years with 33% probability: +1 Ratio does not improve by +5% over 10 years with 33% probability: +0	*Prior year: +1 based on 42% probability of recoveringfrom market downturn*	**+2**
				+9

** 1,377 scenarios contain -10% average or worse over 2 years (in the first 10 years), 743 of which “recover."*

Evolution of the Plan Policy Score

Valuation Year	Score	Notable Events	Geometric Mean Used in Simulation
2019	6	First Score	7.47%
2019	7	Post-experience study changes	7.47%
2020	6	Market return FY 2020 = 3%	7.25%
2021	9	Market return FY 2021 = 26%	6.77%
2022	7	Market return FY 2022 = -6%	6.86%
2023	9	Market return FY 2023 = 7%	7.39%



Summary

- Increased optimism from capital market assumptions projects better outcomes for TFFR
- Will need sustained optimism from investment consultants to maintain current relatively strong policy score

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Actuary's Qualifications

- We believe the recommended set of actuarial assumptions should present a more accurate portrayal of TFFR's financial condition and should reduce the magnitude of future experience gains and losses.
- The study was conducted in accordance with generally accepted actuarial principles and practices and with the Actuarial Standards of Practice issued by the Actuarial Standards Board
- Dana and Paul meet the Qualification Standards of the American Academy of Actuaries

TFFR Board Calendar and Education Plan 2024-25

<u>July 25, 2024 – 1 p.m.</u>
Election of Officers
Annual TFFR Program Review
Annual Governance Policy Review Report
Qtrly Investment Report (3/31)
Qtrly Internal Audit Report (3/31)
Qtrly TFFR Ends Report (6/30)
Qtrly Outreach Update (6/30)
Educ: Survey Approaches & Metrics

<u>September 26, 2024 – 1 p.m.</u>
Qtrly & Annual Investment Report (6/30)
Annual Internal Audit Report (6/30)
Annual Technology Report (6/30)
Annual Budget and Expense Report (6/30)
Annual TFFR Ends Report (6/30)
Educ: Cybersecurity - NDIT

<u>November 21, 2024 – 1 p.m.</u>
Annual Strategic Communication Plan Update
2024 Actuarial Valuation Report
Annual Retiree Reemployment Report
Qtrly Investment Report (9/30)
Qtrly Internal Audit Report (9/30)
Qtrly TFFR Ends Report (9/30)
Educ: Experience Study - Actuary

<u>January 24, 2025 – 1 p.m.</u>
2024 GASB Report
2025 Legislative Update
Annual Retirement Ends Report (6/30)
Qtrly TFFR Ends Report (12/31)
Qtrly Outreach Update (12/31)
Educ: Cash Balance Pension Plans - Actuary

<u>February 20, 2025 – 1 p.m. (Tentative)</u>
2025 Legislative Update

<u>March 27, 2025 – 1 p.m.</u>
Qtrly Investment Report (12/31)
2025 Legislative Update
Pioneer Project Launch Review
Qtrly Internal Audit Report (12/31)
Annual Retirement Trends Report (6/30)
Educ: Fiduciary Duties & Ethics - AGO

<u>April 24, 2025 – 1 p.m.</u>
2025-26 Board Calendar & Educ Plan
2025 Legislative Update
Plan Management Policy Update
Experience Study Results
Annual Pension Plan Comparison Report
Qtrly TFFR Ends Report (3/31)
Qtrly Outreach Update (3/31)
Educ: Hybrid Plans - Actuary

<u>June 19, 2025 (Tentative) – 1 p.m.</u>
Board Retreat

NOTE: Agenda items or education topics may be rearranged if needed.

SIB & TFFR Board/Committee Calendar 2024-25

July 2024
July 12, 2024 – Investment Comm @ 9:00 a.m.
July 25, 2024 – TFFR @ 1:00 p.m.
July 26, 2024 – SIB @ 8:30 a.m.

August 2024
August 9, 2024 – Investment Comm @ 9:00 a.m.
August 14, 2024 – SIB Audit Committee @ 2:30 p.m.

September 2024
September 10, 2024 – SIB GPR @ 10:00 a.m.
September 12, 2024 – TFFR GPR @ 3:30 p.m.
September 13, 2024 – Investment Comm @ 9:00 a.m.
September 17, 2024 – SIB Securities @ 10:00 a.m.
September 26, 2024 – TFFR @ 1:00 p.m.
September 27, 2024 – SIB @ 8:30 a.m.

October 2024
October 11, 2024 – Investment Comm @ 9:00 a.m.
October 25, 2024 – SIB @ 8:30 a.m.

November 2024
November 6, 2024 – TFFR GPR @ 3:30 p.m.
November 8, 2024 – Investment Comm @ 9:00 a.m.
November 13, 2024 – SIB GPR @ 10:00 a.m.
November 18, 2024 – SIB Audit Committee @ 2:30 PM
November 21, 2024 – TFFR @ 1:00 p.m.
November 22, 2024 – SIB @ 8:30 a.m.

December 2024
December 5, 2024 – SIB Securities (Tentative) @ 9:00 a.m.
December 13, 2024 – Investment Comm @ 9:00 a.m.

January 2025
January 10, 2025 – Investment Comm @ 9:00 a.m.
January 15, 2025 – SIB ERCC @ 10:00 a.m.
January 23, 2025 – TFFR @ 1:00 p.m.
January 24, 2025 – SIB @ 8:30 a.m.

February 2025
February 4, 2025 – TFFR GPR @ 3:30 p.m.
February 6, 2025 – SIB GPR @ 10:00 a.m.
February 14, 2025 – Investment Comm @ 9:00 a.m.
February 19, 2025 – SIB Audit Committee @ 2:30 p.m.
February 20, 2025 – TFFR (Tentative) @ 1:00 p.m.
February 21, 2025 – SIB (Tentative) @ 8:30 a.m.

March 2025
March 14, 2025 – Investment Comm @ 9:00 a.m.
March 18, 2025 – SIB Securities @ 10:00 AM
March 27, 2025 – TFFR @ 1:00 p.m.
March 28, 2025 – SIB @ 8:30 a.m.

April 2025
April 8, 2025 – SIB GPR @ 10:00 a.m.
April 9, 2025 – SIB ERCC @ 10:00 a.m.
April 10, 2025 – TFFR GPR @ 3:30 p.m.
April 11, 2025 – Investment Comm @ 9:00 a.m.
April 24, 2025 – TFFR @ 1:00 p.m.
April 25, 2025 – SIB @ 8:30 a.m.*
*Meeting time may be adjusted due to Leg. Session

May 2025
May 7, 2025 – SIB ERCC @ 10:00 a.m.
May 8, 2025 – SIB Audit Committee @ 2:30 p.m.
May 9, 2025 – Investment Comm @ 9:00 a.m.
May 16, 2025 – SIB @ 8:30 a.m.

June 2025
June 13, 2025 – Investment Comm @ 9:00 a.m.
June 17, 2025 – SIB Securities (Tentative) @ 10:00 a.m.
June 19, 2025 – TFFR Board Retreat (Tentative) @ 1:00 p.m.

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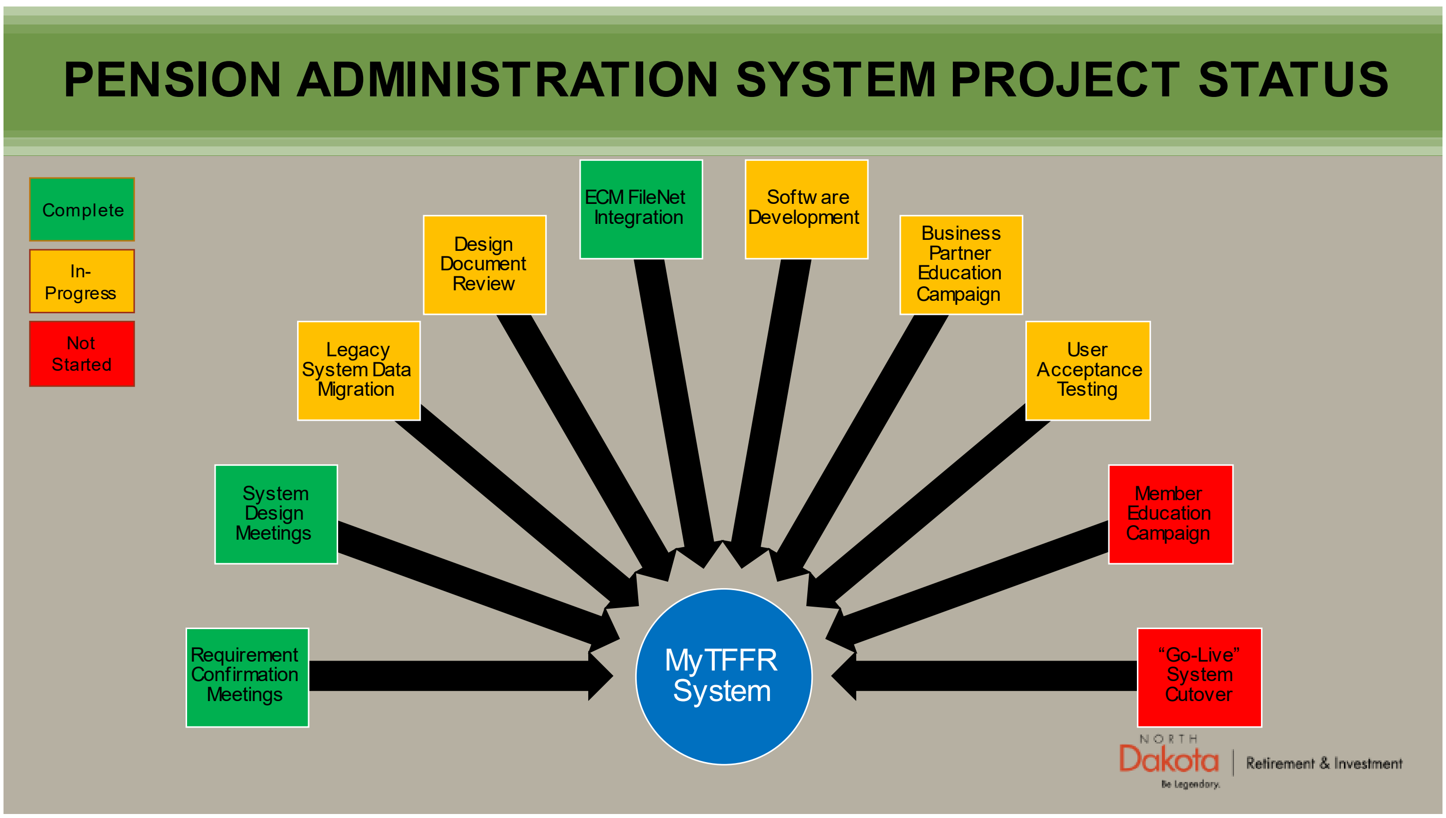
MEMORANDUM

TO: TFFR
FROM: Chad R. Roberts, DED/CRO
DATE: April 8, 2024
RE: April 2024 pension administration system project update

Project Status



Training sessions for the second phase of user acceptance testing are scheduled to begin April 22nd. Those training sessions will last for two weeks. The first full week of May, the RIO staff will begin the second phase of user acceptance testing and it is scheduled to be concluded the middle of June. During this second phase of user testing, in addition to testing the actual pension administration system functionality in areas such as service retirement and payment processing, staff will be testing the file imaging migration system.

A meeting has been held between NDRIO and NDPERS for the interface for dual member service credit calculation. This interface will eliminate a manual process that consumes significant staff time in tracking dual member participants and in calculating retirement benefits for dual member retirees. NDRIO is awaiting a response from NDPERS as to whether the interface is acceptable to their system.

Budget Status

The project remains slightly under budget by approximately $60,000 due to the savings found through the elimination of the SharePoint licensing listed in the contract by using the existing State SharePoint licensing. Uniformity in pay code reporting from business partners will provide further assurance that all contributions are being captured by the TFFR system from business partners. The pay code feature was addressed during design meeting in November and December of 2022, however the vendor failed to capture the features in their designs. A change request has been submitted by the vendor for a $14,000 cost for the implementation of the pay code alignment in the employer reporting module. The change request is under consideration and discussion by NDRIO staff, the vendor, and NDIT PMO.

Unanticipated Issues

No unanticipated issues have arisen since the last board report.

Board Action Requested: Information only

North Dakota | Retirement & Investment
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MEMORANDUM

TO: **TFFR Board**
FROM: **Jan Murtha, Executive Director**
DATE: **April 19, 2024**
RE: **Employee Benefits Programs Committee Update**

Staff filed proposed legislation approved by the TFFR Board at its March 2024 meeting relating to Secure 2.0 compliance with the Employee Benefits Programs Committee (EBPC) prior to the April 1, 2024, deadline. The EBPC is scheduled to meet on April 25, 2024, and hear proposed legislation. I will appear before the EBPC on that day on behalf of the TFFR Board and provide an update at the board meeting.

Board Action Requested: Information only.

TFFR Board Meeting April 25, 2024
Chad R. Roberts, Macc

FY2022 NASRA PUBLIC FUND SURVEY COMPARISON

NORTH Dakota Be Legendary.

Teachers' Fund For Retirement

RETIREMENT & INVESTMENT

FY2022 NASRA PUBLIC FUND SURVEY

The Public Fund Survey is an online resource that aggregates key data on the largest public retirement systems in the U.S., managed by the National Association of State Retirement Administrators. The survey includes data from 130 public systems covering 13.1 million active members and 10.6 million annuitants, with total assets of $4.5 trillion.

ECONOMIC FACTORS AFFECTING PLANS

Initial Impact of COVID-19: The pandemic began affecting the US and global economies and markets in early 2020, leading to unprecedented market volatility.

Stock Market Fluctuations: From February to March 2020, the S&P 500 dropped by over one-third, followed by a rapid recovery, rising more than 65 percent by the end of 2020.

Median Public Pension Fund Returns:

- 2020: Strong equity gains contributed to a robust median public pension fund investment return of 11.7%.
- 2021: Continued market gains resulted in an over 25% return for the year ending June 30, and 13.7% for the calendar year.

2022 Market Downturn: The markets turned sharply lower in 2022, with investment losses effectively cancelling out the gains from 2021.

Impact on Public Pensions: The volatility significantly affected public pension funds, particularly because pension funds rely heavily on investment earnings to meet funding obligations

ACTUARIAL FUNDING LEVELS

According to the survey, public pension funding levels decreased to 76.1% in FY22 from 76.9% in FY21

NDTFFR funding levels increased slightly to 69.9% in FY22 from 68.6% in FY21

NDTFFR ranking, in terms of highest funding level, is 81 of 130 plans for FY2022

ACTUARIAL ASSET AND LIABILITY GROWTH

- **Growth in Actuarial Assets:**
  - Survey median assets increased by 3.1% from $4.35 trillion to $4.49 trillion in FY 2022.
- **Increase in Liabilities:**
  - Survey median liabilities rose by 4.1%, from $5.66 trillion to $5.90 trillion.
- **Challenges from Lower Investment Return Assumptions:**
  - Many plans have lowered their expected rate of return since the 2008-09 market decline.
- **Impact of Mortality Assumptions**:
  - Plans adjusting mortality assumptions to reflect longer life expectancies, which also increases liabilities and costs as participants are expected to receive benefits over a longer period

MEMBERSHIP CHANGES

PFS shows the median rate of increase in **annuitants** increased in FY22, there had been a downward trend in annuitants for the previous three years

The number of **active members**, according to the PFS, showed moderate growth in FY2022.

The ratio of active members to annuitants dropped from 1.26 in FY21 to 1.25 in FY22.

For **NDTFFR** the ratio remains unchanged at 1.26

Declining active to annuitant ratios indicate:

- Higher per-capita costs
- Increased financial pressures
- Amortization challenges
- Potential funding volatility
- Demographic maturity shifts

CONTRIBUTION RATES

Contribution rates differ on basis of Social Security participation

- **About 25% of employees of SLGs do not participate in Social Security**
- **About 40% of all public school teachers do not participate in Social Security**

Median **employee** contribution rates for employees who participate in Social Security was 6.30%. Median for those who don't participate in Social Security was 9.0%

- **NDTFFR employee rate is 11.75% (effective 7/1/14). Rate will be in effect until plan is 100% funded, then reduced to 7.75%**

Median **employer** contribution rate remained at 14.9% in FY2022, the same rate in FY2021

- **NDTFFR employer rate is 12.75% (effective 7/1/14). Rate will be in effect until plan is 100% funded, then reduced to 7.75%**

ANNUAL CHANGE IN PAYROLL

Median change in active member payroll was either negative or in decline from FY08 to FY12, and had increased slowly but steadily through FY2021

The median increase in payroll jumped to just over 4% in FY22, the highest level of growth since 2008

NDTFFR active payroll growth declined to 2.2% in FY22 from 5.4% in FY21.

INVESTMENT RETURNS

Median fair value investment return for plans with FY end date of 6/30/22 (about ¾ of PFS participants), was -9.35%

NDTFFR fair value investment return was -6.11% for FY22

INVESTMENT RETURN ASSUMPTION

Until FY11, the most common investment return assumption used by public pension plans was **8.0%**

Since that time, nearly every plan in the survey has reduced their investment return assumption

Median investment return assumption is **7.00%**

NDTFFR investment return assumption was **7.25%**

EXTERNAL CASH FLOW

External cash flow is the difference between a system's revenue from contributions and payouts for benefits and administrative expenses, divided into the value of the system's assets. It excludes investment gains and losses

Nearly all systems in PFS have external cash flow that is negative, meaning they pay out more each year than they collect in contributions.

PFS median external cash flow increased to -2.0% in FY22 from -2.2% in FY21

NDTFFR external cash flow decreased to -2.0% in FY22, down from -1.6% in FY21

ASSET ALLOCATION

There were noticeable changes to PFS plan's asset allocations

Public Equities decreased to 42.2% in FY22 from 47.0% in FY21

Fixed Income declined to a historic low of 20.6%

Real Estate holdings increased to 9.1% from a median which was historically just above 7%

Alternatives (composed of primarily private equity and hedge funds) continues to grow steadily and is increased to 27.4%, the highest percentage in survey history

Cash/Other median for FY22 was 2.4%, a slight decrease from 2.5% in FY21

Compared to the 2022 PFS, **NDTFFR** has less in Cash and Alternatives, and more in Fixed Income, Real Estate and Equities

Public equities – 53%

Fixed income – 27%

Real estate – 19%

Cash – 1%

QUESTIONS

NASRA

Public Fund Survey

SUMMARY OF FINDINGS FOR FY 2022

NOVEMBER 2023

ABOUT THE PUBLIC FUND SURVEY

The Public Fund Survey is an online compendium of key characteristics and trends affecting most of the nation's largest public retirement systems. The Survey is provided by the National Association of State Retirement Administrators.

First published in 2003 based on FY 02 findings including comparatives from FY 01, this marks the 21st edition of the Public Fund Survey Summary of Findings. The Survey contains data on public retirement systems that provide pension and other benefits for 13.1 million active (working) members and 10.6 million annuitants (those receiving a regular benefit, including retirees, disabilitants and surviving beneficiaries). At the end of fiscal year 2022, systems in the Survey held combined defined benefit plan assets of $4.5 trillion. The membership and assets of systems included in the Survey comprise nearly 90 percent of the entire state and local government defined benefit plan community. Since FY 13, portions of survey data have been collected from Public Plans Data (PPD), an online, interactive resource containing public retirement system information culled chiefly by the Center for Retirement Research at Boston College from public retirement system annual financial reports and actuarial valuations. In addition to the Center for Retirement Research at Boston College, the PPD is sponsored also by NASRA, MissionSquare Research Institute, and the Government Finance Officers Association. This report, focusing on FY 22, uses graphs and narrative to illustrate and describe changes in selected elements of public retirement systems and the pension plans and funds they oversee.

Some of the information in this report is presented in the context of changes to median, or midpoint, data. Presenting changes based on a median, rather than aggregate (total) basis, reduces the effects of very large plans and plans with extreme or exceptional results, enabling readers to focus on the experience of a more typical plan instead of results that could be skewed by the experience of one or a few outliers.

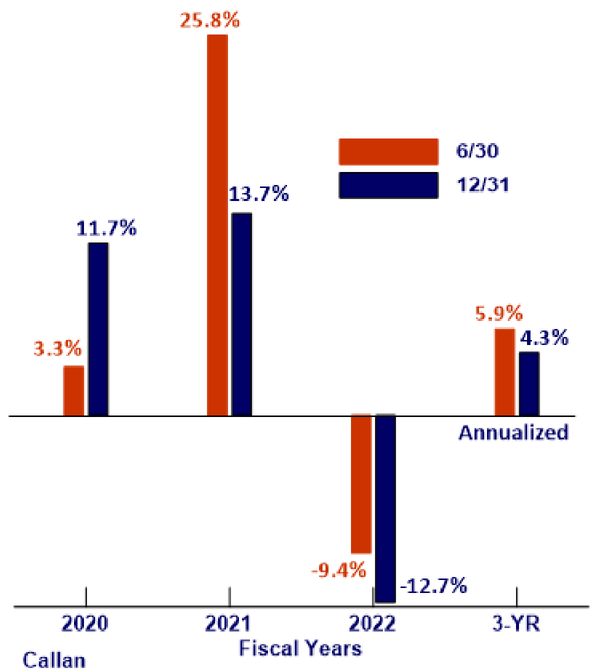
PANDEMIC MARKET VOLATILITY

The pandemic affected public retirement systems in multiple ways, including through its effects on labor and capital markets, the US and global economies, state and national fiscal conditions, and changes in mortality rates. Because over time investment earnings account for most public pension fund revenue, a pension fund's investment experience can have a significant effect on its funding condition, especially in cases when that experience varies considerably from the plan's investment return assumption.

Following the onset of the COVID-19 pandemic in early 2020, the US economy and US and global capital markets began a period of exceptional volatility that lasted through 2022. After dropping by more than one-third from February to March, the S&P 500 rose from its low point in March 2020 by more than 65 percent at year's end. As shown in Figure 1, these strong equity gains that began in March contributed to a robust median public pension fund investment return for calendar year 2020 of 11.7 percent. Those gains continued through 2021, producing a median public pension fund return of over 25 percent for the year ended 6/30 and 13.7 percent for calendar year 2021. Markets then turned sharply lower in 2022; when pension plans' assumed investment returns are factored in, 2022 investment losses cancelled out the 2021 gains.

Figure 1 also shows the median annualized 3-year returns: a tepid 5.9 percent and 4.3 percent, respectively, for the pandemic period. Despite periods of spectacular gain, public pension funds in the median experienced investment results below their assumed rates of return.

Figure 1



SUMMARY OF FINDINGS

Figure A plots the aggregate actuarial funding level and the combined actuarial values of assets and liabilities among plans in the Survey since its inception in FY 2001. The aggregate funding level in FY 22 was 76.1 percent, down from 76.9 percent in FY 21. The decline in the aggregate funding level in FY 22 is attributable chiefly to the recognition of investment returns below assumptions in previous years, combined with investment returns in FY 22, that not only fell short of actuarial assumptions, but as shown in Figure O, were sharply negative.

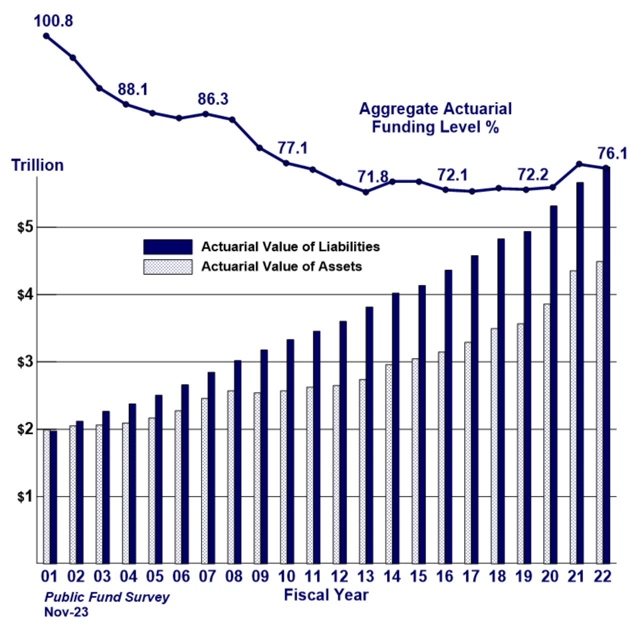
The aggregate actuarial value of assets grew in FY 22 by 3.1 percent, from $4.35 trillion to $4.49 trillion. The actuarial value of assets reflects the periods most plans use to phase in investment gains and losses, a calculation also known as smoothing. Smoothing reduces year-to-year volatility in a pension plan's funding level and required cost. Because of actuarial smoothing, the aggregate value of actuarial assets increased despite the strongly negative investment returns, as prior years' investment gains offset the losses experienced in FY 22.

A few plans report their funding condition using their market value of assets and do not phase in, or smooth, investment gains and losses. One of these plans is the California Public Employees' Retirement System (CalPERS), which is the largest public pension plan in the nation as measured by both assets and liabilities. Because of its size—CalPERS' liabilities account for more than 10 percent of the total liabilities in the Survey—and because the plan does not smooth its investment gains and losses, in years when the CalPERS investment experience is dramatically above or below its actuarially assumed rate of return, the change in the plan's funding level can have a material effect not just on the plan's funding level, but also on the aggregate public pension funding level. This was the case this year, as the value of CalPERS' assets declined from FY 21 to FY 22 by approximately $38 billion, or 8.6 percent, dropping the plan's actuarial funding level from 81.2 percent to 71.9 percent. If the CalPERS results were excluded from the Survey, the aggregate funding level would have risen marginally.

Combined liabilities of plans in the Survey grew by 4.1 percent, from $5.66 trillion to $5.90 trillion. Liabilities change as a result of four factors: a) because liabilities are a present value, they increase at a rate of interest equal to the prior year's discount rate; b) new benefit accruals resulting from active participants accruing an additional year of service credit; c) payment of benefits to retired participants (which reduces liabilities); and d) changes in actuarial assumptions and actuarial experience that differs from assumptions.

Since the market decline of 2008-09 and the Great Recession, every plan in the Public Fund Survey has reduced its most consequential actuarial assumption—the rate of expected investment return. These lower investment return assumptions have created a strong headwind to efforts by public retirement systems and their plan sponsors to improve funding levels. Many plans also have adjusted other actuarial assumptions, including mortality assumptions to reflect expected longer lives. Like a lower investment return assumption, improved mortality assumptions result in a reduced plan funding level and higher cost, as plan participants are projected to receive benefits for a longer period of time.
See the NASRA issue brief on investment return assumptions.

Figure A



FY 22 funding levels of the 130 plans in the Survey are depicted in Figure B. The size of each circle is roughly proportionate to the size of each plan's actuarial liabilities—larger bubbles reflect larger plans and smaller bubbles reflect smaller plans. The median funding level is 77.1 percent and the range is 21.8 percent to 114.7 percent. This chart illustrates the wide distribution of funding conditions among public pension plans, which is one outcome of the unique combination of the actuarial experience, assumptions, and methods of each plan in the Survey.

Figure B

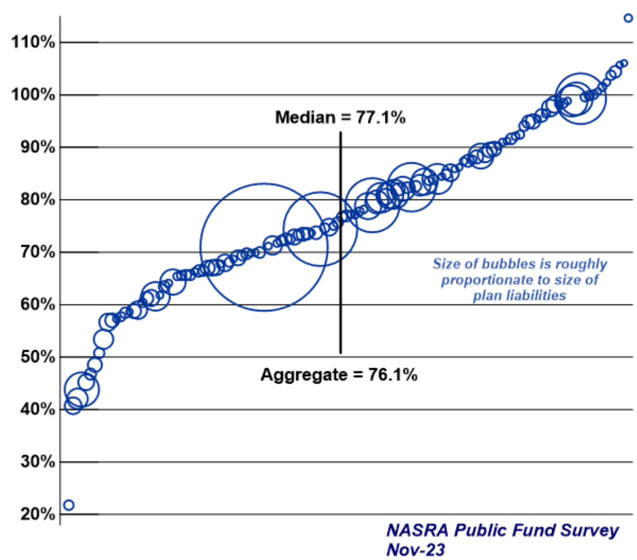
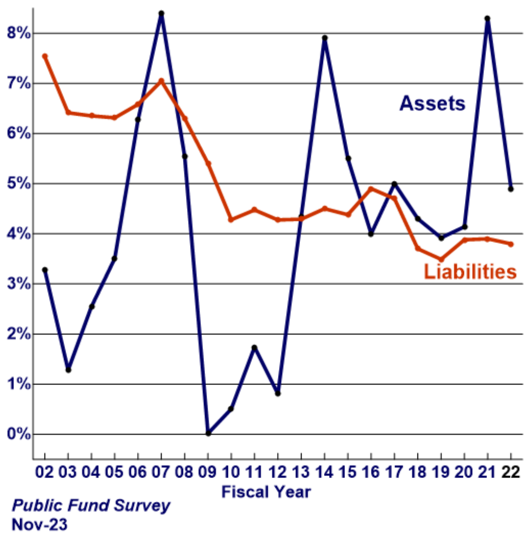


Figure C plots the median annual change since FY 02 among plans in the Survey in the actuarial value of assets and liabilities. For a pension plan's funding level to improve, its actuarial value of assets must grow faster than its liabilities. At a median rate below 4.0 percent for the fifth consecutive year, liability growth remains below historical rates and extends a trend of lower rates that began following the Great Recession. Low liability growth generally is due to factors that vary by plan, but typically include actual inflation below expectations (which generally results, among other things, in slower salary growth); plan maturity (i.e., fewer active (working) participants relative to the number of annuitants); and the effects of many reforms (predominantly reductions) in pension benefits enacted in recent years. Rates of liability growth would be even lower were many plans not also reducing their investment return assumptions (see Figure P), and adjusting mortality assumptions to reflect longer lives, changes that increase a plan's liabilities.

Approximately two-thirds of plans in the survey smooth their investment gains and losses over five years, and four-year smoothing is the second-most common period. The remaining plans phase in gains and losses over periods that range from zero (meaning no smoothing and using only the market value of assets), to 10 years.

Because five years is the predominant period used by plans to recognize investment gains and losses, a five-year investment return measure (as shown in Figure O) can be instructive in discerning the effect of recent market performance on the funding level of individual plans (where relevant) and in the aggregate. This is because a plan's investment performance can have a relatively large impact on its funding condition, particularly if the plan's return is significantly higher or lower than the plan's assumed rate of investment return. For example, in the case of a theoretical plan with an investment return assumption of 7.0% and an actual annualized five-year investment return of 6.0%, assuming the plan achieved its other actuarial assumptions, that plan's funding level is likely to be lower because of its actual investment return underperforming its assumed investment return.

Figure C



The Survey measures two types of retirement system members: actives and annuitants. Actives are those who currently are working and earning retirement service credits; nearly all actives also make contributions toward the cost of their pension benefit. Annuitants are those who receive a regular benefit from a public retirement system; these are predominantly retired members, but also include those who receive a disability benefit (disabilitants), and survivors of deceased retired members.

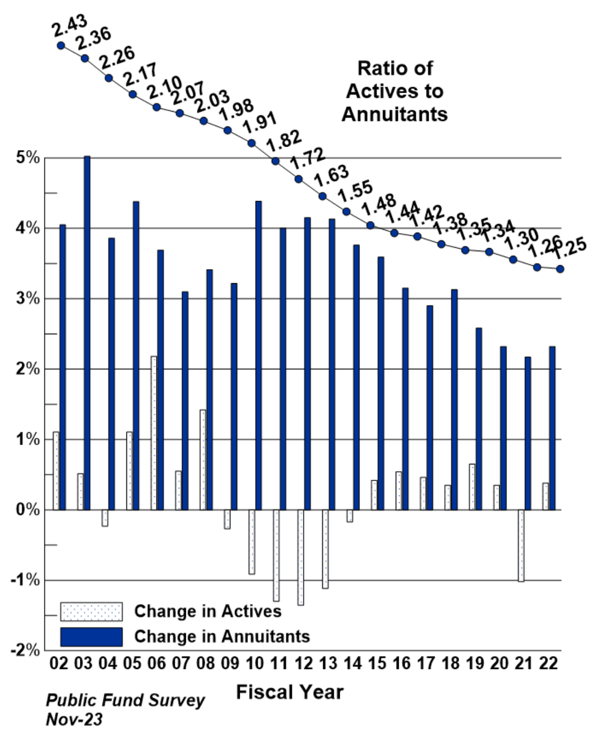
As shown in Figure D, the median rate of increase in annuitants among systems in the Survey continued its trend of slower growth, increasing in FY 22 below 3.5 percent for the seventh consecutive year. Each year since FY 16, median growth in the number of annuitants has been below 3.5 percent, following a six-year period of growth above 3.5 percent. The number of active members grew modestly in FY 22, consistent with the trend of six years of marginal growth which occurred prior to a sharp one-year decline in FY 21, likely a result of pandemic-driven labor market disruptions. This pattern of change in the number of active members is consistent with US Census Bureau reports showing an increase in the number of state and local government employees, a trend Census data shows began in FY 14 and continued through early 2020 before the pandemic-induced employment declines, and has resumed with 19 consecutive months of growth in state and local employment as of October 2023.

The difference between the continued increase in annuitants and a declining or slowly rising number of active members is driving a long-term reduction in the overall ratio of actives to annuitants. In FY 22, this ratio dropped to 1.25, a slower rate of decline driven by modest growth in the number of active members and continued slower growth in the number of annuitants.

A low or declining ratio of actives to annuitants is not necessarily problematic for a public pension plan. This is because the typical public pension funding model features accumulation, during plan participants' working years, of assets needed to fund their expected retirement benefits, in anticipation of higher rates of payout as members retire.

When combined with an unfunded liability, however, a low or declining ratio of actives to annuitants can cause financial distress for a pension plan sponsor. An unfunded liability represents a shortfall in accumulated assets and results in a cost of the plan above the normal cost (the cost of benefits earned each year); this additional cost is required to amortize or eliminate the unfunded liability over a period of years. (See more: Overview of Public Pension Plan Amortization Policies, NASRA, April 2022) A lower ratio of actives to annuitants results in applying costs to amortize a plan's unfunded liability over a relatively smaller payroll base, which increases the cost of the plan as a percentage of employee payroll. Thus, although a declining active-annuitant ratio does not, by itself, pose an actuarial or financial problem, when combined with a poorly-funded plan, a low or declining ratio of actives to annuitants can result in higher required pension costs.

Figure D



On a market value basis, as of FY 22, systems in the Survey held a combined $4.54 trillion in assets, a decline of 7.4 percent from FY 21. Figure E, which plots the fiscal year-end value of public pension funds in the Survey, reflects the result of market volatility in recent years. The change in the aggregate market value of assets from FY 10-FY 20 ranged from a decline of 0.6 percent to an increase of nearly 14 percent, with an average increase of 7.5 percent. The most recent two-year period has seen incredible volatility, with an exceptional increase in FY 21 driven by strong investment returns followed by a sharp decline of over seven percent in FY 22, which marks the largest decline in the aggregate market value of assets since FY 09. As the aggregate market value of funds in the Public Fund Survey has grown by roughly $1.7 trillion over the past decade, these same plans also have paid out approximately $2.7 trillion in benefits. Collectively, the portion of assets held by the systems in the Survey represents nearly 90 percent of the total FY 22 public pension assets identified by the U.S. Census Bureau.

Figure E

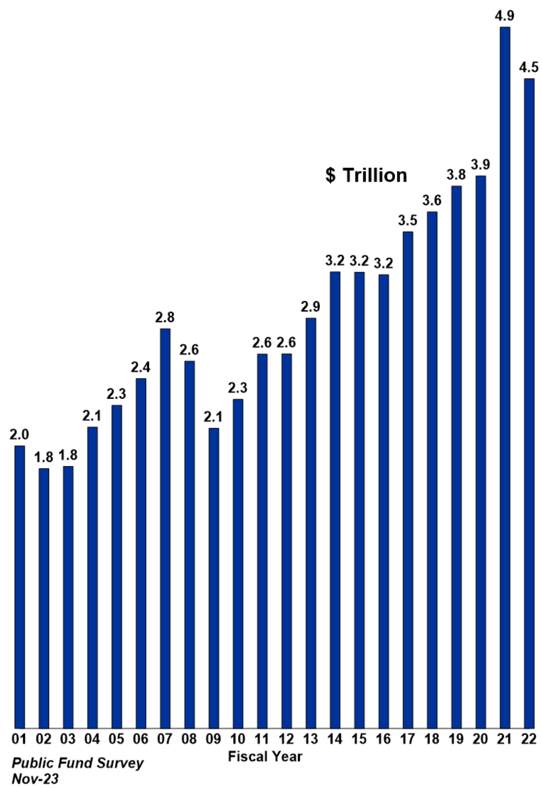


Figure F plots the combined revenues and expenditures of the systems in the Public Fund Survey. The green line reflects investment gains and losses, which vacillate as investment markets fluctuate. Blue bars indicate contributions, from employees and employers, and red bars show benefit payments. Contributions and benefit payments grow at mostly steady and predictable rates, while growth or decline in investment earnings is much more volatile, corresponding with volatility in global capital markets. This volatility is especially evident in the aggregate investment earnings for FY 21, which were by far the highest level in the measurement period, and the substantial market decline in FY 22. Because most plans pay out more each year in benefits than they receive in contributions, contributions are used to pay current benefits (as shown in Figure I), while most investment earnings accrue to pension trust funds. Pension trust funds are established for the sole purpose of paying benefits and funding administrative costs. The benefits paid by public retirement systems are paid from these trust funds, not from state and local government operating budgets or general funds.

Growth in levels of contributions and benefits is mostly stable and predictable over time. Investment earnings, which comprise over 60 percent of public pension revenues over the past 30 years, vacillate, often appreciably, depending on market performance (see Figure N).

Figure F

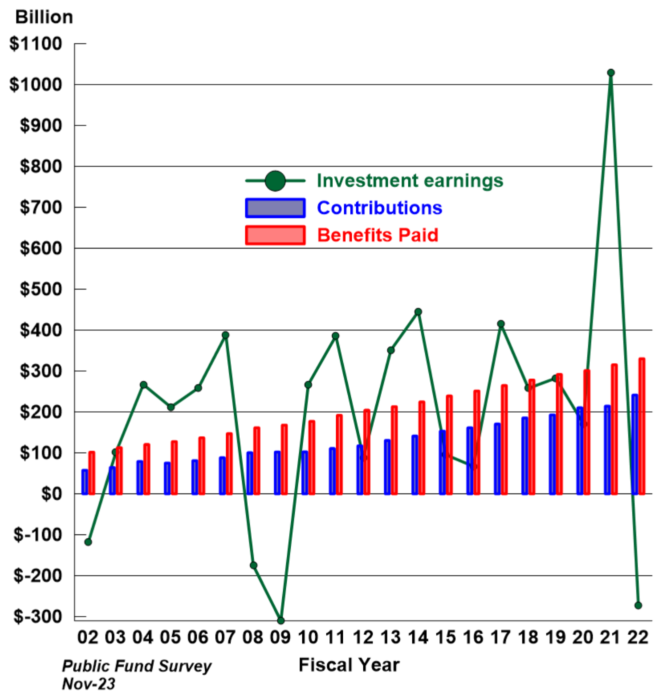


Figure G plots the distribution of the median annual change in payroll from FY 02 to FY 22 among plans in the Survey for which this data is available. (The chart excludes plans in the Survey that are closed to new hires. Closed plans have no new, active members joining, and the number of annuitants grows each year as active members retire or terminate.)

As Figure G shows, the median change in payroll was either negative or in decline from the prior year from FY 08 to FY 12, and increased slowly but steadily since, before reaching the lower end of a more typical range in FY 19 and FY 20. Declining state and local employment and slower state and local employee wage growth in FY 21 resulted in a sharp decline in the median change in payroll, to below two percent in FY 21, which was the lowest level since FY 13. Accelerating growth in state and local employment and wage growth resulted in a sharp increase in median payroll growth to just over four percent in FY 22, which marks the highest level since FY 08. Negative or slow payroll growth reflects one or both of two basic factors: stagnant or declining employment levels, and modest salary growth among employees of state and local government.

The payroll experience pattern of public pension plans following the Great Recession is corroborated by information provided by the U.S. Bureau of Labor Statistics, indicating that state and local employment levels stagnated before accelerating since FY 14, while annual growth in wages and salaries for employees of state and local government increased at a slower pace, remaining below two percent for seven years until FY 16. FY 19 saw the highest level of state and local employment growth since FY 07, and annualized state and local employee wage growth reached 2.5 percent in FY 19, which corresponds to median FY 19 public pension payroll growth above three percent for the first time since FY 09. Slow growth in state and local employment and employee wages during the pandemic resulted in a sharp decline in median payroll growth in FY 21, before a sharp reversal of those trends caused median payroll growth to accelerate in FY 22.

Payroll growth affects a pension plan actuarially because the long-term funding of most pension plans is based partly on expected growth in a pension plan's payroll base. When a plan's payroll grows at a rate less than expected, the base that is used to amortize the plan's unfunded liability is smaller, meaning that the cost as a percentage of payroll of amortizing the unfunded liability is larger. This situation is analogous to a mortgage, in which the mortgage-holder anticipates a growing salary to make her or his monthly mortgage payment. When salary growth does not materialize as anticipated, the cost of the mortgage payment as a percentage of expected income is higher.

Many pension plans in recent years have reduced their payroll growth assumption to reflect changing economic realities and expectations. As a result, higher payroll growth experience and assumptions for future payroll growth are converging.

Figure G

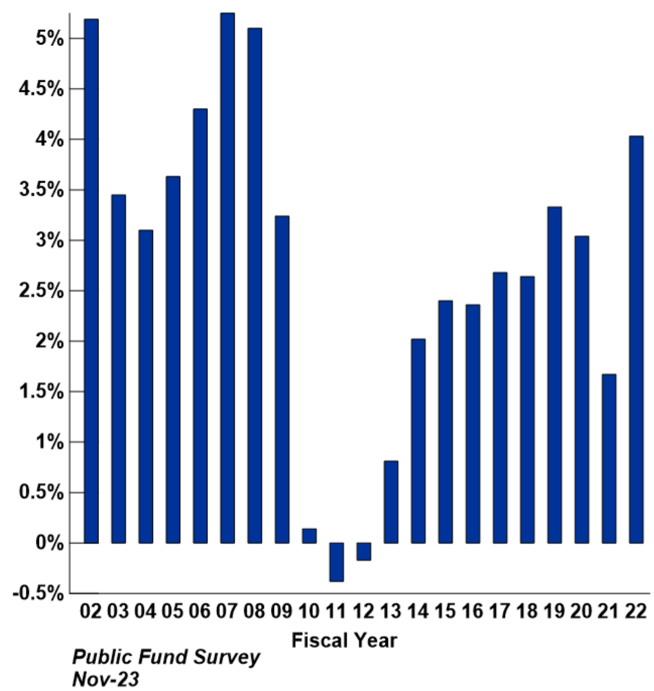


Figure H presents the distribution of change in payroll from FY 21 to FY 22, and the median payroll growth, for the 121 plans in the Survey that are open to new hires. The individual plan experience ranged from a decline of 3.6 percent to an increase of 13.9 percent, creating a wide range of outcomes between those two extremes.

Figure H

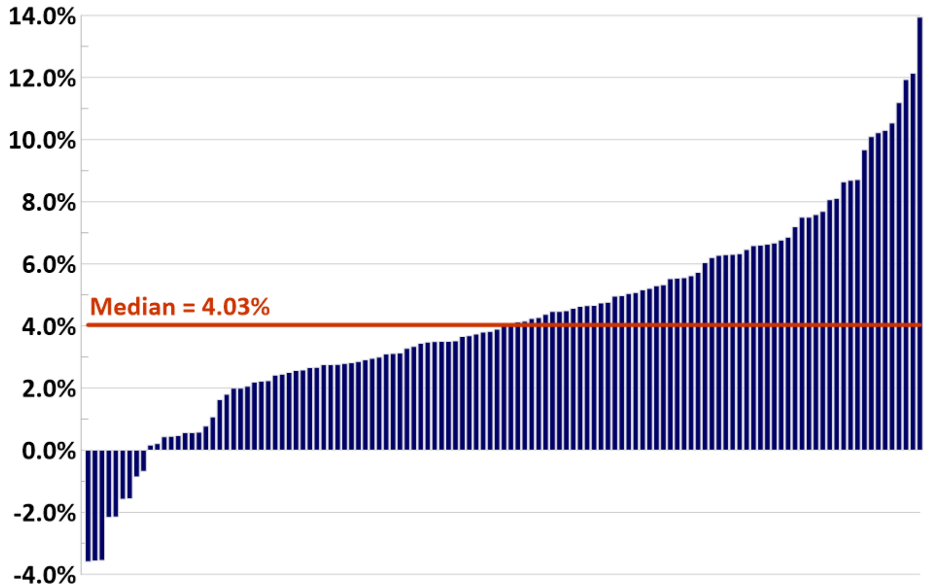
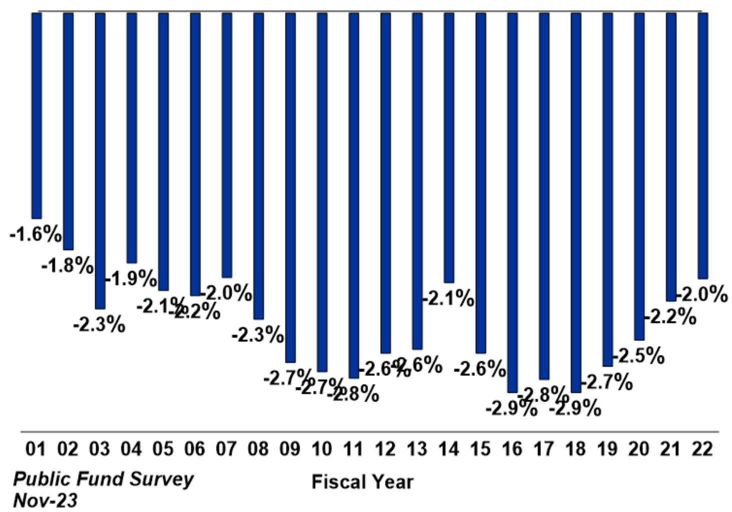


Figure I plots the median external cash flow as a percentage of assets since FY 01. External cash flow is the difference between a system's revenue from contributions, and payouts for benefits and administrative expenses. External cash flow excludes investment gains and losses. Dividing a system's cash flow into the market value of the system's assets produces the measure of cash flow as a percentage of assets. A growing number of annuitants, combined with slow or negative growth in active members, will result in a reduction in a retirement system's external cash flow. Conversely, a growing asset base will offset a rate of negative cash flow. Contributions made below the actuarially recommended rate can also contribute to a plan's negative cash flow.

Nearly all systems in the survey have an external cash flow that is negative, meaning they pay out each year more in benefits and administrative expenses than they collect in contributions. Negative cash flow is not, by itself, an indication of financial or actuarial distress: the purpose of accumulating assets is to eventually pay them out as benefits. As a system matures, i.e., as its members age, and ultimately retire, the system will inevitably pay out in benefits relatively more compared to a less mature, younger system with fewer retirees. A lower (more negative) cash flow may require the system's assets to be managed more conservatively, with a larger allocation to more liquid assets to meet current benefit payroll requirements. For example, in 2018, the Kentucky Public Pensions Authority reduced the investment return assumption of one of its plans—the Kentucky Employees' Retirement System—to 5.25 percent, because the plan's funding level (then below 20 percent) requires the fund to maintain a relatively large portion of its assets in more liquid securities that do not generate a significant investment return.

The median external cash flow increased for the fourth consecutive year in FY 22, to -2.0 percent, the highest rate since FY 07. This increase is most likely a result of a) higher levels of pension contributions received by many plans, including excess contributions above actuarial requirements, and b) slower rates of growth in the number of annuitants, to whom benefits are paid, in recent years.

Figure I



Figures J and K reflect changes in median employee and employer contribution rates. Figure J includes active members and employers for participants who also participate in Social Security; Figure K includes those participants and their employers who do not participate in Social Security. These contribution rates apply predominantly to general employees and public school teachers and do not reflect those for public safety workers and narrow employee groups, such as legislators, judges, etc.

Approximately one-quarter of employees of state and local government do not participate in Social Security, including approximately 40 percent of all public school teachers, and a majority to substantially all state and local government workers in seven states: Alaska, Colorado, Louisiana, Maine, Massachusetts, Nevada, and Ohio.

Nearly every state has made changes to its pension plan(s) design or financing arrangement, or both, since 2009; the most common change has been an increase in required employee contribution rates. This trend is reflected in Figures J and K. Following a lengthy period at 5.0 percent, Figure J shows the median employee contribution rate for employees participating in Social Security holding at 6.30 percent in FY 22, after several years at 6.0 percent and rising gradually to reach 6.30 percent in FY 21. Median contribution rates for non-Social Security-participating employees remained steady in FY 22 after reaching 9.0 percent first in FY 20, following many years at 8.0 percent.

Contribution rates among employers both in and out of Social Security have increased considerably since the inception of the Survey. This increase is due primarily to the increase in unfunded pension liabilities and, more recently, a strengthened effort among many employers to increase their contribution effort to pay a greater share of the actuarially determined contribution. FY 02, the first year of the contribution rates measurement period, was at or near the all-time low point for employer contribution rates. These low rates were a result partly of strong investment earnings in the late 1990s, as aggregate unfunded liabilities for the public pension community were around zero.

Figure J

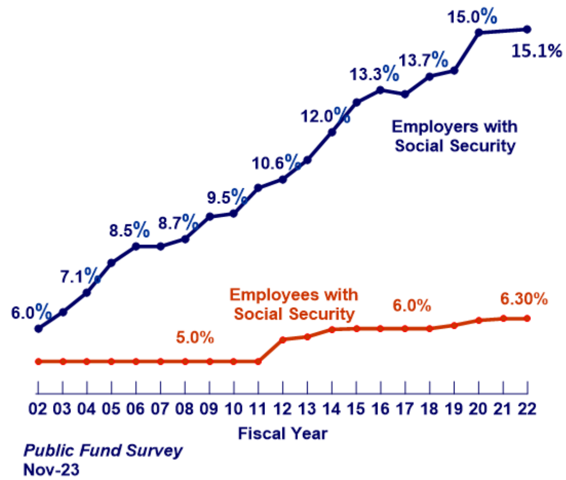


Figure K

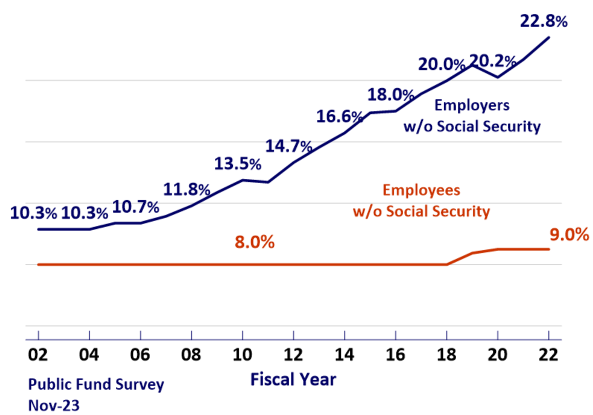


Figure L displays the range of employer contribution rates paid in FY 22 for plans whose members participate in Social Security. The lowest rate is 5.4 percent and the highest is 74.6 percent.

Figure M displays the range of employer contribution rates paid in FY 22 for plans whose members do not participate in Social Security. The lowest rate is 9.45 percent and the highest is 61.7 percent.

Figure L

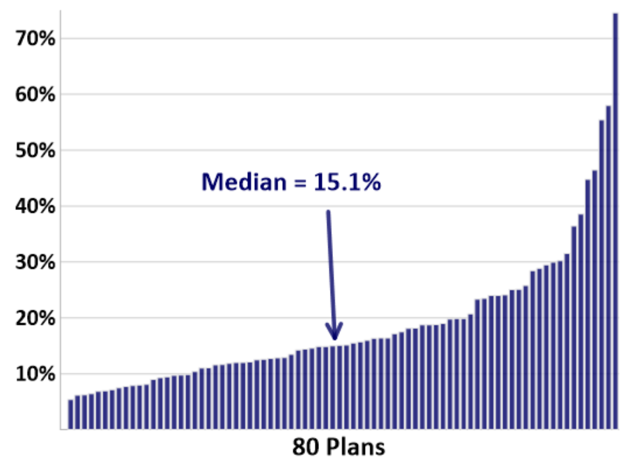


Figure M

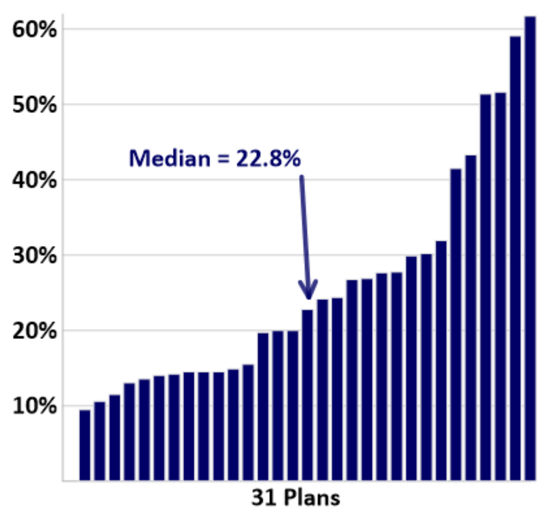
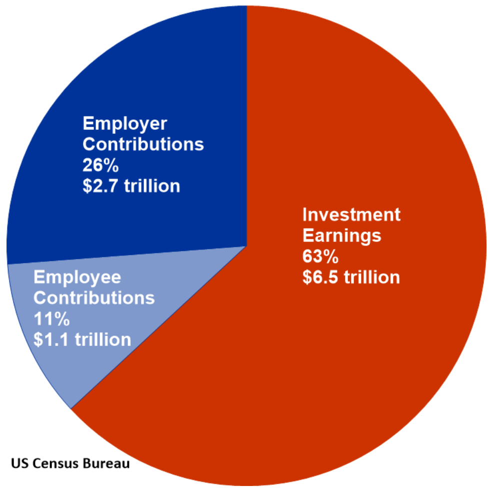


Figure N presents the cumulative sources of revenue into public pension funds for the 30 years ended in 2022. Over time, investment earnings consistently account for between 60 percent and 65 percent of public pension fund revenue. This chart illustrates the important role that investment earnings play in funding public pension benefits. The large portion of revenue from investment earnings also helps to show why even a relatively small change in a plan's investment return assumption can have a large effect on the plan's funding level and required cost.

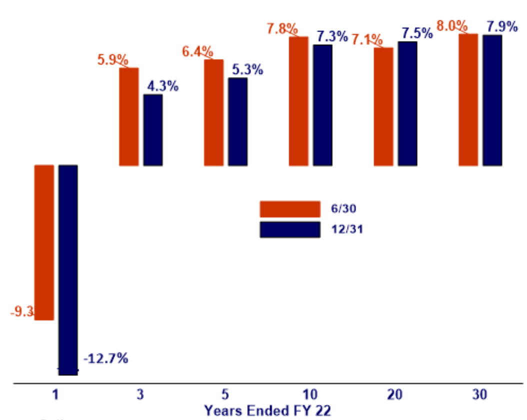
Figure N



As shown in Figure O, according to investment consultant Callan, the median investment return for plans with a FY-end date of June 30, 2022, (the FY-end date used by approximately three-fourths of the funds in the survey), was negative 9.35 percent; the return for plans whose fiscal year-end is 12/31 (used by most other plans) was negative 12.7 percent. These returns mark a sharp reversal of rates from the prior fiscal year and effectively cancel out, on an actuarial basis, the previous year's positive returns. As discussed in the narrative accompanying Figure C, because most plans phase in, or smooth, their investment gains and losses over several years (five years for most plans), returns over periods of four or five years are more consequential to funding levels than the return of any single year.

The median annualized returns for the five years ended in FY 22 that fell below the typical public pension investment return assumption of 7.0 percent were an important contributor to the lower funding level in FY 22.

Figure O



Of all actuarial assumptions, a public pension plan's investment return assumption has the greatest effect on the plan's funding level and its projected long-term cost. This is because, as shown in Figure N (above), over time, a majority of revenue of a typical public pension fund come from investment earnings.

As shown in Figures P and Q, from the beginning of this survey (and for several years preceding), until FY 11, the median investment return assumption used by the 131 public pension plans in the Survey was 8.0 percent. Following the sharp decline in global capital markets in 2008-09 and the decline in interest rates and projected returns on major asset classes that followed the Great Financial Crisis, every plan in the Survey reduced its assumed investment return, many more than once. This trend resulted in a reduction to the median return assumption to 7.0 percent in FY 21, where it remained in FY 22. Figure P compares the distribution of investment return assumptions for each fiscal year since the inception of the Survey, and Figure Q illustrates the steady reduction in assumed rates of return, particularly since 2009.

Reducing a plan's investment return assumption increases its projected liabilities and the plan's cost. The extended period of reductions in the investment return assumption has created a strong headwind to pension plans' efforts to improve their funding level: even as benefit levels have been reduced and contribution rates increased, funding levels for many plans have struggled to improve due partly to lower investment return assumptions.

Figure P

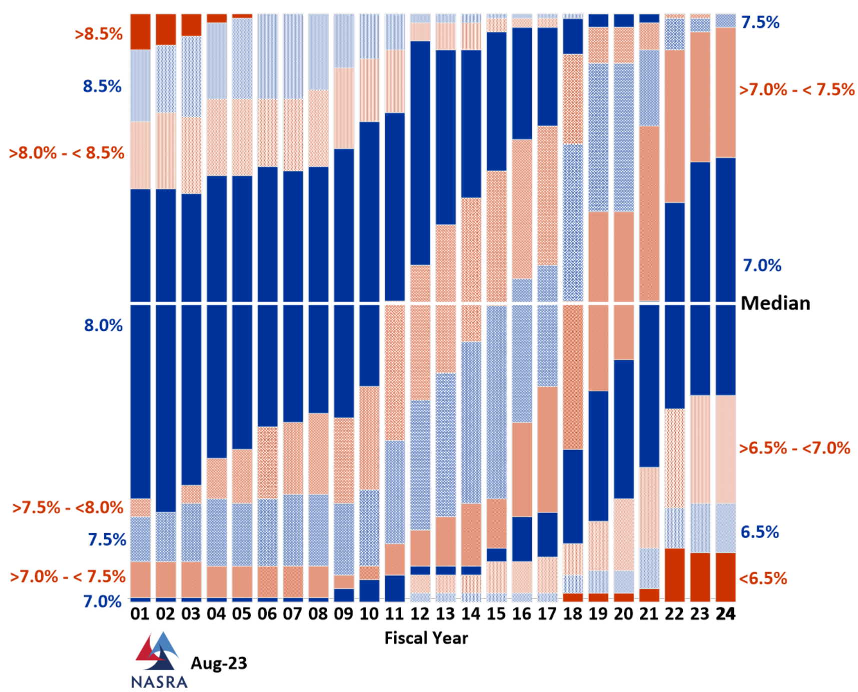


Figure Q reflects the investment return data shown in Figure P (above) after distilling the information into an average and median.

Figure Q

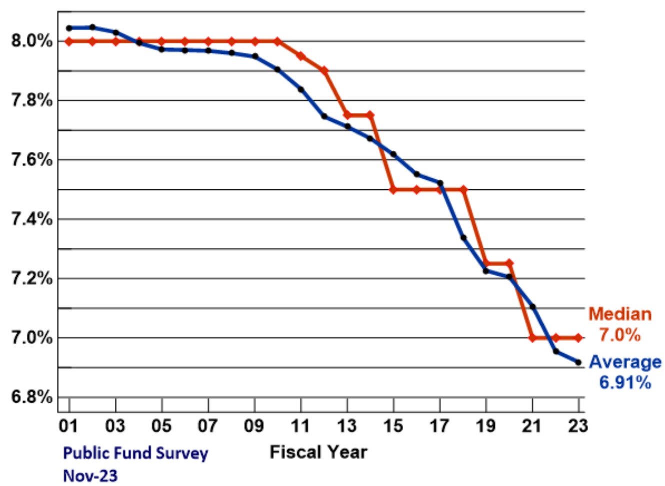


Figure R plots the average asset allocation of 90 funds in the Public Fund Survey since FY 05. The average allocation to public equities has steadily declined since the major drop in global capital markets in 2008-09. This secular decline in the allocation to public equities continues a trend that reached its lowest point--42.2 percent—in FY 22 since the beginning of the measurement period. Similarly, at 20.6 percent, the average allocation to fixed income also reached its lowest level in the history of the Survey. Declines in allocations to these major asset classes, which traditionally have constituted the bulwark of public pension portfolios, have given way to continuous growth in allocations to alternatives and real estate, reaching their highest levels in FY 22. Low interest rates since the Great Financial Crisis have contributed to more diversified portfolios, featuring smaller allocations to public equities and fixed income in lieu of asset classes expected to produce higher returns.

Figure R

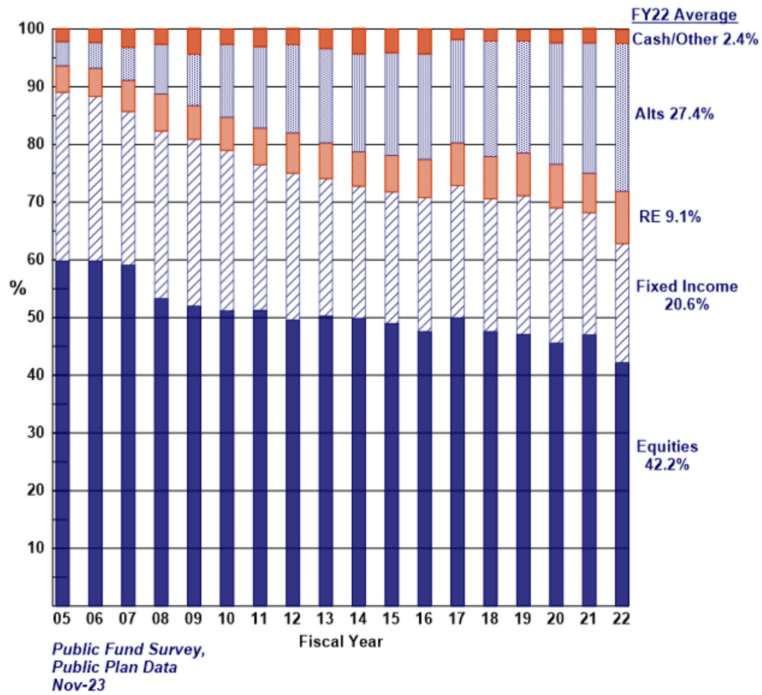
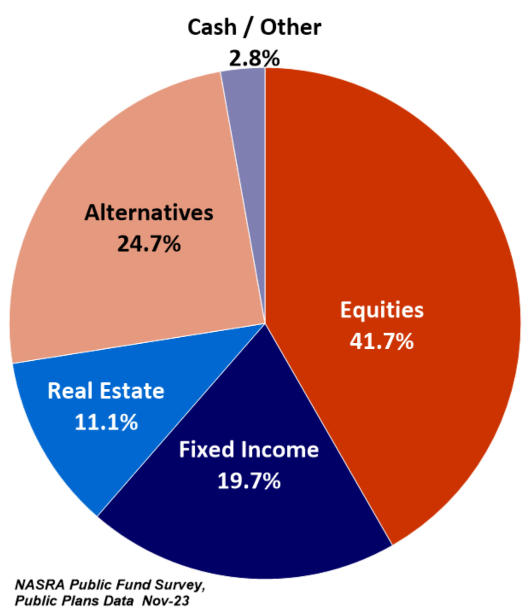


Figure S presents the FY 22 asset allocation weighted by the market value of assets of funds in the Survey. Compared to the simple average allocation shown in Figure R, the weighted asset allocation reveals a larger commitment to alternatives—chiefly private equity and hedge funds—and real estate, and smaller allotments to equities and fixed income.

Figure S



- Appendix A: Public Retirement System Assets and Membership
- Appendix B: Actuarial Funding Levels for FY 22

See Also

- Public Plans Data
- NASRA Issue Briefs, Papers & Analysis

Prepared by:

Keith Brainard and	Alex Brown
keith@nasra.org	alex@nasra.org
202-624-8464	202-624-8461

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MEMORANDUM

TO: TFFR Board of Trustees
FROM: Chad R. Roberts, DED/CRO
DATE: April 8, 2024
RE: TFFR Ends Report 3rd QTR ending March 31, 2024

This report highlights exceptions to the normal operating conditions of the TFFR program for the period spanning January 1, 2024, through March 31, 2024.

NDRIO staff completed the admin rule change advertisement, public hearing, and legislative submission process for changes to admin rules related to the administration of the TFFR program.

NDRIO staff published an active TFFR member newsletter in late March 2024. Active member newsletters were produced up until 2021 when staff shortages and other factors caused a pause in the publication. The newsletter was produced in a digital format and published electronically.

Phase 1 of user acceptance testing was started in January of 2024 and completed in March of 2024. The testing resulted in no notable issues in development, although some enhancements and corrections in the design were discovered by staff. Those corrections have been completed by the vendor.

The position of temporary part-time administrative support specialist was filled on March 4, 2024. The position was previously held by a staff member who was promoted to the full-time temporary member specialist position effective the 2nd of January 2024.

In February of 2024, the TFFR GPR Committee reviewed recommended changes and edits to sections of the TFFR Manual. The Review will continue through the 2024 fiscal year with all recommended changes and edits to be presented to the full TFFR Board at the completion of the manual review.

Board Action Requested: Board acceptance.

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MEMORANDUM

TO: TFFR Board of Trustees

FROM: Sarah Mudder, communications and outreach director

DATE: April 25, 2024

RE: 2024 Q1 Communications and Outreach Conducted

MEDIA – Subject, Publication and Date

- Legacy Fund Op Ed; Bismarck Tribune, Forum, Grand Forks Herald, Jamestown Sun and Williston Herald; March 21, 22 and 25
- In-state investment program; Pensions & Investments; March 21
- General consultant RFP; with Intelligence; March 11
- Steve Hallstrom Show; AM 1100 The Flag; Feb. 16
- Officials defend ND Legacy Fund decisions; ND News Coop, Bismarck Tribune, Dickinson Press, Forum, Grand Forks Herald, and Jamestown Sun; Feb. 14
- In-state investment program; ND Monitor; Feb. 12
- New client funds; Mandatewire; Feb. 9
- Investment consultants; with Intelligence ;Feb. 6
- Investment consultants; FIN NEWS; Jan. 29
- New investment strategy for ND Legacy Fund; Bismarck Tribune, Dickinson Press, Forum, Grand Forks Herald and Jamestown Sun; Jan 27 and Feb. 13

MEETINGS – Boards and Committees, Client Funds, Legislative, Steering, Etc.

March
- City of Grand Forks (pension funds), March 25
- SIB Meeting, March 22
- TFFR Board Meeting, March 21
- Legislative Audit and Fiscal Review, Committee, March 21
- Legacy and Budget Stabilization Advisory Board, March 20
- SIB Investment Committee, March 15
- SIB Exec Review & Compensation Committee, March 13
- Strategy Review with Governor's Office, March 13
- ESG Steering Committee, March 8
- Legislative Administrative Rules Committee, March 5

February
- SIB Meeting, Feb. 23
- WSI Board Meeting, Feb. 21
- Financial Literacy Collaborative, Feb. 21
- SIB Exec Review & Compensation Committee, Feb. 20
- SIB Investment Committee, Feb. 20
- ESG Steering Committee, Feb. 15
- SIB Audit Committee, Feb. 15
- PERS Board Meeting, Feb. 13
- SIB Governance & Policy Review Committee, Feb. 13
- SIB Investment Committee, Feb. 9
- TFFR Governance and Policy Review, Feb. 8
- Cash Management Study Project, Feb. 7

January

- SIB Meeting, Jan. 26
- TFFR Board Meeting, Jan. 25
- State of the State, Jan. 23
- SIB Audit Committee, Jan. 18
- JEL Employee Engagement, Jan. 17
- SIB Investment Committee, Jan. 12
- Cash Management Study Project Kickoff, Jan. 12
- SIB Exec Review & Compensation Committee, Jan. 9
- City of Fargo (FargoDome), January

OUTREACH

Board Education

- Governance Manual Part #2, March 6
- Fiscal Operations Overview, Jan. 29

Conferences

- Scott Anderson, "Re-strategizing the portfolio and optimizing due diligence in the market landscape," Private Equity International NEXUS 2024, March 6-8
- Lance Ziettlow, "Manager Selection: Everybody Sounds the Same," Pension Bridge Private Credit, Feb. 26-27
- Jan Murtha, attendee, NCTR/NASRA winter joint meeting, Feb. 24-26
- Jan Murtha, "Participant Education and Communication," NAPPA Winter Seminar, Feb. 21-23

TFFR Business Partner Webinars

- Final Pension Administration System Preview, Feb. 22
- Models, Salaries and Retirements, Jan. 18

PUBLICATIONS (GovDelivery)

TFFR Active Member

- Newsletter to 11,749 subscribers (47% Open Rate), March 27

TFFR Retired Member

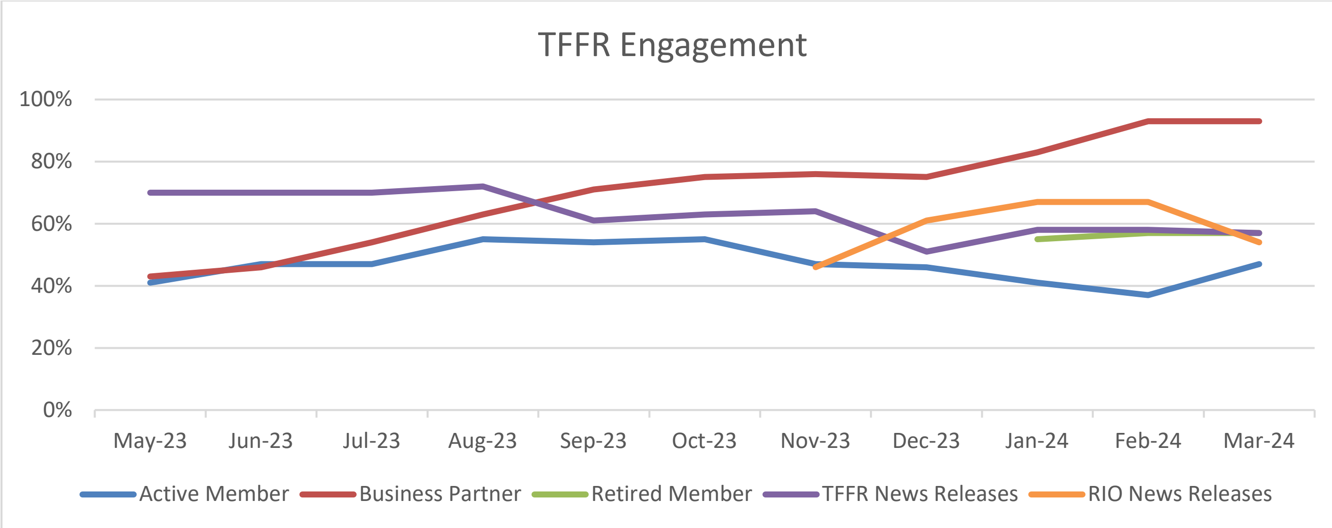
- Update to 5,034 Subscribers (60% Open Rate), Jan. 25

TFFR Business Partners

- Newsletters to 465 subscribers (54% Open Rate), Jan. 9

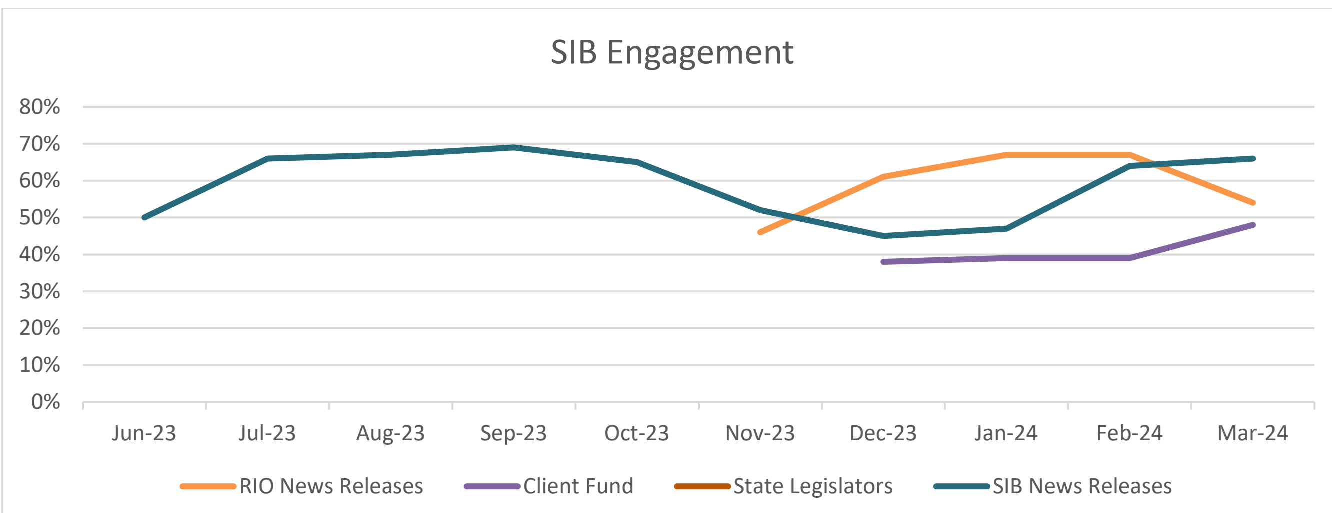
TFFR Engagement Rate Monthly Metrics

As of March 31, most to least engaged TFFR topics were Business Partner at 93%, Retired Member at 57%, and Active Member at 47%. Per GovDelivery, the median engagement rate for education communications in 2023 was 66%.



SIB/Fiscal News Releases and Updates
- More than $395 million of Legacy Fund invested in ND, March 21 with 785 Subscribers (50% Open Rate)
- RIO issues statement on Legacy Fund Poll, Feb. 13 with 423 Subscribers (53% Open Rate)
- FY2023 ACFR published, Jan. 23 with 435 Subscribers (53% Open Rate)

SIB Engagement Rate Monthly Metrics
As of March 31, most to least engaged SIB topics were SIB News Releases at 66%, Client Funds at 48%, and State Legislators at 45%. Per GovDelivery, the median engagement rate for Finance & Commerce communications in 2023 was 56%.



BOARD ACTION REQUESTED: Information Only

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MEMORANDUM

TO: SIB

FROM: Jan Murtha, Executive Director

DATE: April 19, 2024

RE: Executive Limitations

A verbal update will be provided at the meeting on staff relations and strategic planning. Including updates on the following topics:

I. New Board & Committee Member Update

The next new board member onboarding meeting is scheduled for Thursday, April 25, 2024, at 10amCT, respectively. The April 25, 2025, meeting will be in person with a virtual option; the topic of this training is Risk Strategy, Nitin Vaidya, Chief Risk Officer presenting.

II. Retirements/Resignations/FTE's/Temporary Assistance:

Position Title*	Status
Investment Intern	Posted
Accounting Intern	Posted

*New FTEs related to the Internal Investment program are expected to be posted in Summer of 2024.

III. Current Project Activities/Initiatives:

- **BND Study:** RIO is participating in the investment working group for the BND led study related to examining the impact of ESG related factors on state policy and industries. The working group prepared draft recommendations which I presented to the steering committee meeting this month. The steering committee will meet again to finalize the recommendations.
- **Cash Management Study:** RIO is participating in the OMB led cash management study. RVK has been contracted as the consultant to perform the study. RIO has participated in the kick-off and initial information gathering meetings related to the study. The study is ongoing.
- **TFFR Pioneer Project** – The TFFR Pioneer Project continues with implementation consistent with the project plan. The project is currently on time and on budget with an expected launch date by end of 2024.
- **Investment Program Software Solutions:** NDIT has determined that the investment software solution to provide the necessary infrastructure for internal investment management qualifies as a large IT project. RIO staff is still working with NDIT and State Procurement through the procurement process. The procurement process is pending.
- **Northern Trust Initiative** – In an effort to enhance the infrastructure for the investment program the Investment and Fiscal teams continue to coordinate with Northern Trust for additional functionality/capabilities. This effort should be finalized coincident with the full implementation of the new investment program infrastructure.

- **Internal Audit Co-Sourcing:** The ED, CFO/COO, and Supervisor of Internal Audit will meet with Weaver at least bi-monthly if not more frequently to coordinate consultant co-sourcing activities. Currently Weaver is performing a risk assessment for the agency.
- **Other Agency Collaborations:** Members of RIO's fiscal team were invited and are participating on compensation related committees/groups for both Trust Lands and HRMS.

Board Action Requested: Board acceptance.

Confidential materials will be sent to members via secure link.

ND Teachers' Fund for Retirement Board Resolution
In Appreciation of
Jordan Willgohs

WHEREAS, Jordan Willgohs has served as a member of the TFFR Board since 2021; and

WHEREAS, Mr. Willgohs has diligently carried out his duties and responsibilities as a member of the Board and fiduciary of the TFFR Program; and

WHEREAS, Mr. Willgohs has been a valued and dedicated member of the Board in helping maintain the integrity and stability of the TFFR Program.

NOW THEREFORE, BE IT RESOLVED that Jordan Willgohs be duly recognized by the Board for his years of unselfish dedication to the State of North Dakota through his service on the TFFR Board.

DATED this 25th day of April 2024

On Behalf of the TFFR Board

____

Dr. Rob Lech, President

____

Votes

____

Date

NORTH Dakota | Retirement & Investment

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MEMORANDUM

TO: **TFFR**

FROM: **Chad R. Roberts, DED/CRO**

DATE: **April 18, 2024**

RE: **Board reading materials for April 2024 TFFR Board of Trustees**

Attached are three suggested readings concerning pensions, retirements, and factors impacting retirement funds and the retirements of retirees.

The first suggested reading is an article from the North Dakota Monitor published on April 12, 2024, regarding teachers leaving the profession in North Dakota.

The second suggested reading is an article published on April 17, 2024, by Education Week addressing the exit of teachers from the profession.

The third suggested reading is the Retirement Insecurity 2024 survey conducted by the National Institute on Retirement Security.

Board Action Requested: Information only https://bismarcktribune.com/news/community/mandannews/teacher-retention-recruitmant-task-force-north-dakota-mentoring-program-leaving-profession/article_527ff96c-f5cd-11ee-8a39-931029fcccda.html

North Dakota teachers leaving profession earlier; mentoring touted as a retention tool

MICHAEL ACHTERLING North Dakota Monitor
Apr 12, 2024

Erin Jacobson, coordinator for the North Dakota Teacher Support System, speaks during a meeting of the Teacher Retention and Recruitment Task Force on Wednesday.
MICHAEL ACHTERLING, NORTH DAKOTA MONITOR

MICHAEL ACHTERLING North Dakota Monitor

North Dakota teachers are leaving the profession earlier but not necessarily for higher-paying jobs, data presented to a task force shows.

Since 2016, the median age of a departing North Dakota teacher due to retirement or leaving the profession has dropped 12 years, to 42 years old, according to information from the North Dakota Statewide Longitudinal Data System.

In a recent meeting of the Teacher Retention and Recruitment Task Force, data scientists and subject matter experts presented research to task force members on teachers leaving the profession, their wages upon leaving and the benefits of mentorship on retention efforts, the North Dakota Monitor **reported**.

Sam Unruh, data scientist for the North Dakota IT Department, said he was able to determine that teachers have been leaving the profession much earlier over the last seven years, and many have earned the same amount or slightly less income in their new jobs. His research used data from the Department of Public Instruction, the state's Education Standards and Practices Board, and Job Service North Dakota.

People are also reading...

1. **Fire heavily damages Mandan apartment buildings, displaces families; cause believed to be cooking**
2. **Comments of victim's mother subject of attorney debate in Corbin Lampert murder trial**
3. **Proposed North Dakota pig iron plant part of mining scramble in northern Minnesota**
4. **Spring cleanup weeks commencing in Bismarck and Mandan**

"Looking at the age group from about 30 to 45, there wasn't a whole lot of change … until about 2019 to 2020," Unruh said. "I can't attribute that all to COVID, but it certainly appears that at that time something changed."

Prior to that time, he said, if a teacher made it past their five-year mark, they generally tended to stay in the career field until retirement, but that trend has now changed.

“It didn’t appear that teachers were leaving for much-better-paying jobs,” he said.

The data showed 59% of teachers who left the profession earned less income in the first year of a new job. However, the research noted it’s unclear if the data included other wages in addition to a teacher’s salary.

Unruh added he doesn’t believe that just because departing teachers weren’t acquiring higher-paying jobs upon leaving that wage adjustments shouldn’t be used as a retention tool.

The median years of experience of teachers retiring or leaving the profession has also decreased from a median of 23 years of service in 2007 to nine years of experience in 2023.

The research notes there have been geographic differences in teacher retention between 2006 and 2023. Teachers in the northwest corner of the state had fewer years of experience before departing, possibly connected to oil activity, the report said.

Erin Jacobson, coordinator for the North Dakota Teacher Support System, said providing mentorship to first- and second-year teachers improves retention compared to teachers without a mentor. She also pointed out their mentors do not evaluate the new teachers, and do not report their conversations to administrators, but are there to provide professional guidance.

“What we have found … is that is an empowering tool when it’s used in that way,” Jacobson said.

She added that new teachers usually need the entire first semester to feel comfortable enough in the classroom to begin making adjustments from the constructive criticism of a mentor.

Teachers who are part of the mentoring program are also 6-11% more likely to stay teaching past their 10-year mark in greater numbers than teachers who don't participate in the program, according to the report. The largest difference between mentored and non-mentored teachers is in their sixth year when mentored teachers hold a 15% higher retention rate.

"That shows it's worth the investment," Jacobson said. "It's not required to be in the mentoring program, but, if teachers are getting that type of support, the person that's coming in and ... getting feedback ... we're seeing that they are stay longer."

Ellie Shockley, an institutional researcher for the North Dakota University System, said she estimated that more than 10,000 people are eligible and licensed to teach in North Dakota but are not currently teaching. Of those, about 26% ended their teaching careers from 2017 to 2022. By comparison, 12% of those teachers left the profession from 2006 to 2017, with the vast majority of departures occurring with teachers 55 and older, according to her data.

Shockley added the statistics only account for teachers with teaching licenses and not substitute teachers with an interim substitute teaching license.

"In terms of substitutes, they were not consistently recorded, so DPI is moving in the direction of more recording of people in that role," she said.

The Teacher Retention and Recruitment Task Force has two more meetings scheduled before its report of findings and possible solutions will be presented to Gov. Doug Burgum at the end of September. The next meeting will be held on June 3.

Popular in the Community

EducationWeek.

TEACHING PROFESSION THE STATE OF TEACHING

This Is the Surprising Career Stage When Teachers Are Unhappiest

By Madeline Will — April 17, 2024 7 min read

— iStock/Getty

Call it a seven-year itch: After a couple of years in the classroom, teachers' morale slumps for a few years before rebounding later in their careers.

While multiple national surveys show that teacher morale overall is low, the breakdowns by experience level reveal an inverse bell curve of job satisfaction. There's no clear answer as to why, but the general theory goes like this: Teachers start their careers feeling relatively optimistic and excited. But a few years in, they start to feel disillusioned with the demands of teaching and the stagnant wages compared to peers in other industries.

“The first five years, [teachers are] just figuring it out. This is their calling, this is what they went to school for—they’re pushing through,” said Michelle Faust, an elementary literacy coach in Lexington, S.C. “When it doesn’t get easier in years five to 10, and sometimes it gets harder, it’s like, what in the world?”

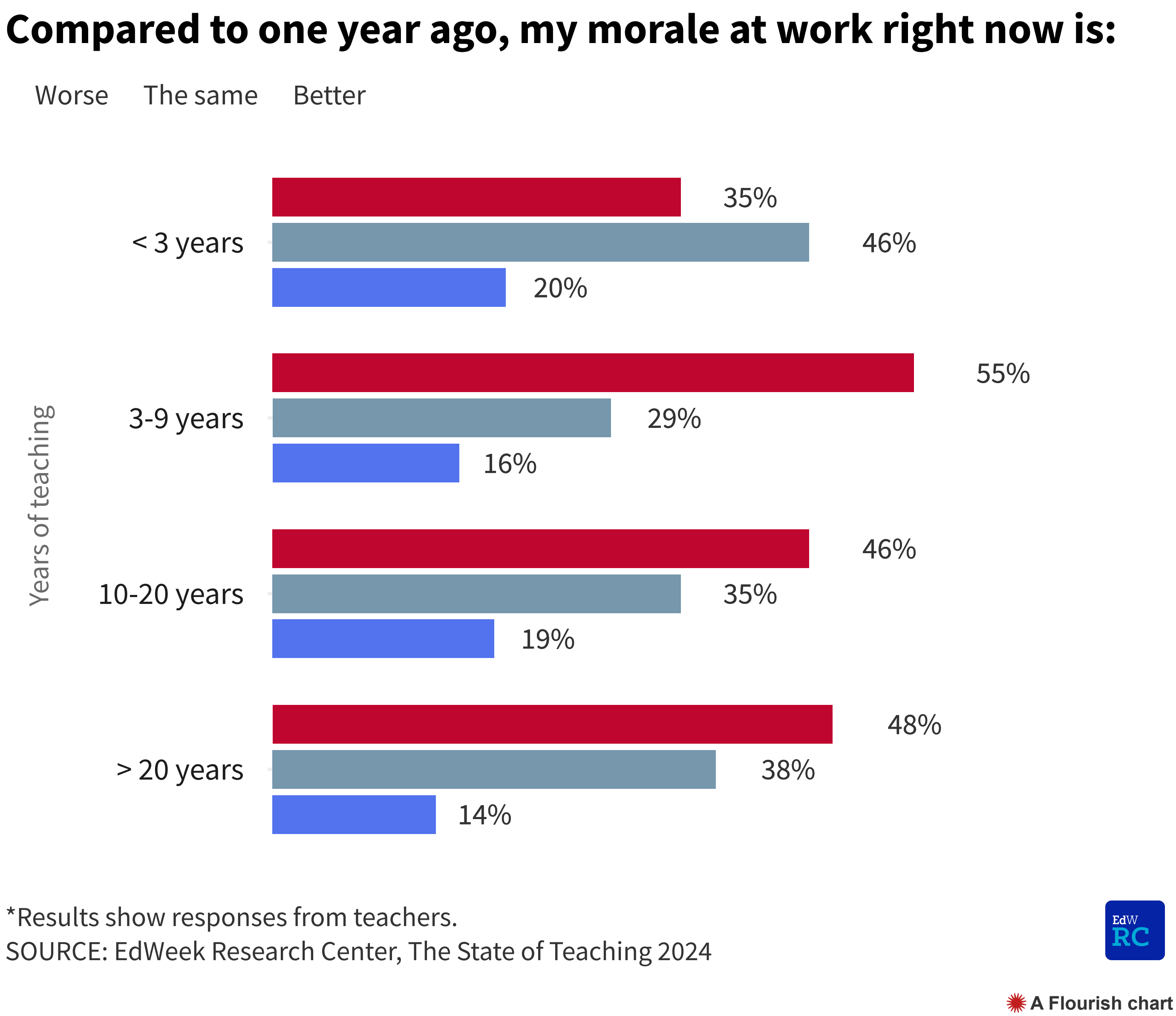
As teachers gain more experience, move up in the salary schedule, and learn how to better manage their workloads, the data show their job satisfaction improves—if they haven’t left the profession yet.

With the more experienced, more satisfied teachers, “you’ve got the folks who have figured it out, and who’ve chosen to stay, and who have found their lane and their purpose,” said Mayme Hostetter, the president of Relay Graduate School of Education, a not-for-profit preparation program. “They’re doing what they want to be doing.”

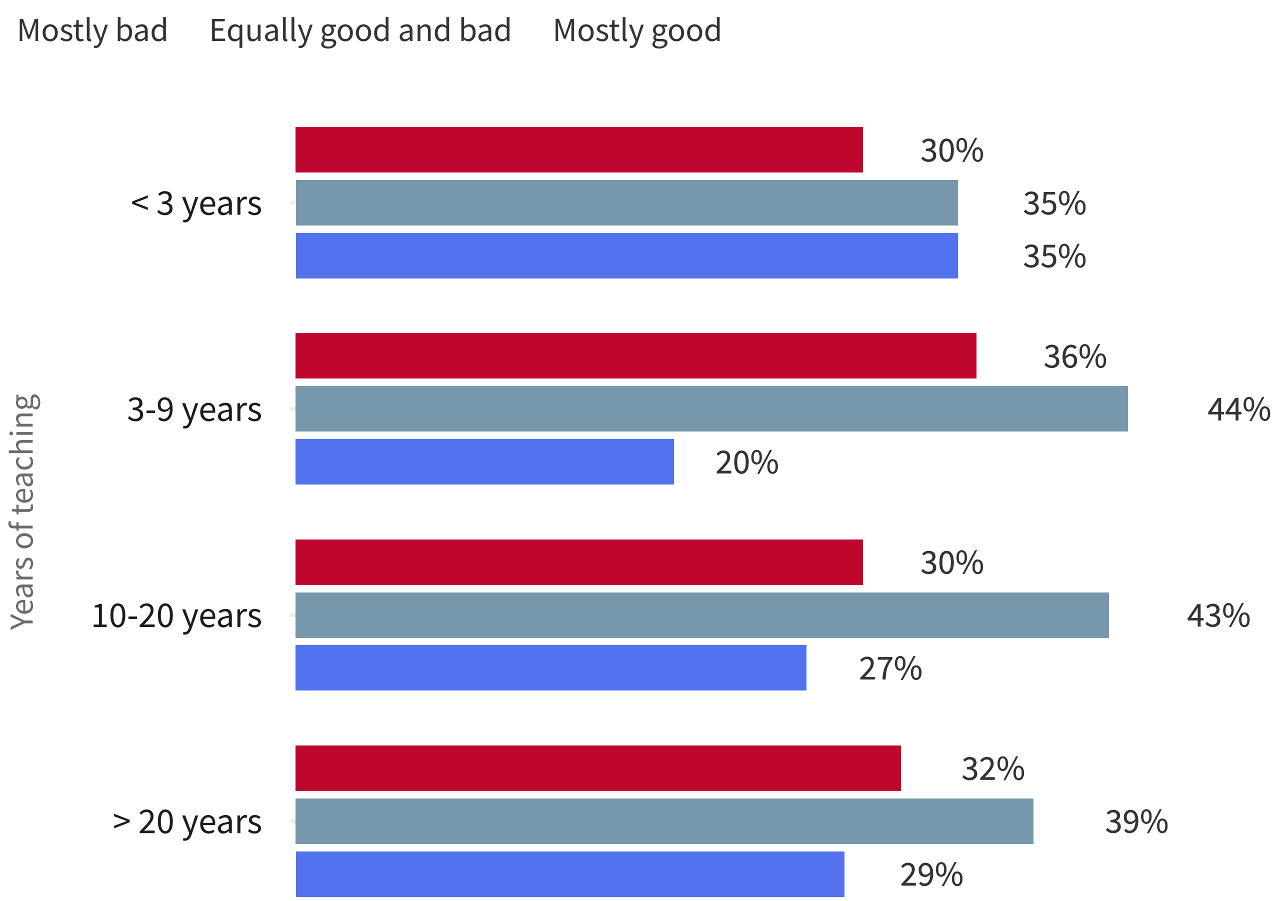
The challenge for school leaders, she said, is maintaining teachers’ morale after the initial optimism and excitement fade, so they can reach that more stable phase of their careers.

What the data show

The EdWeek State of Teaching survey, which polled a nationally representative sample of nearly 1,500 teachers in October 2023, found that teachers with three to nine years of classroom experience have worse morale than their peers who have either more or less experience. They are also less likely than teachers in other stages of their careers to say they’d recommend their own children, or those of a loved one, pursue a career in teaching.

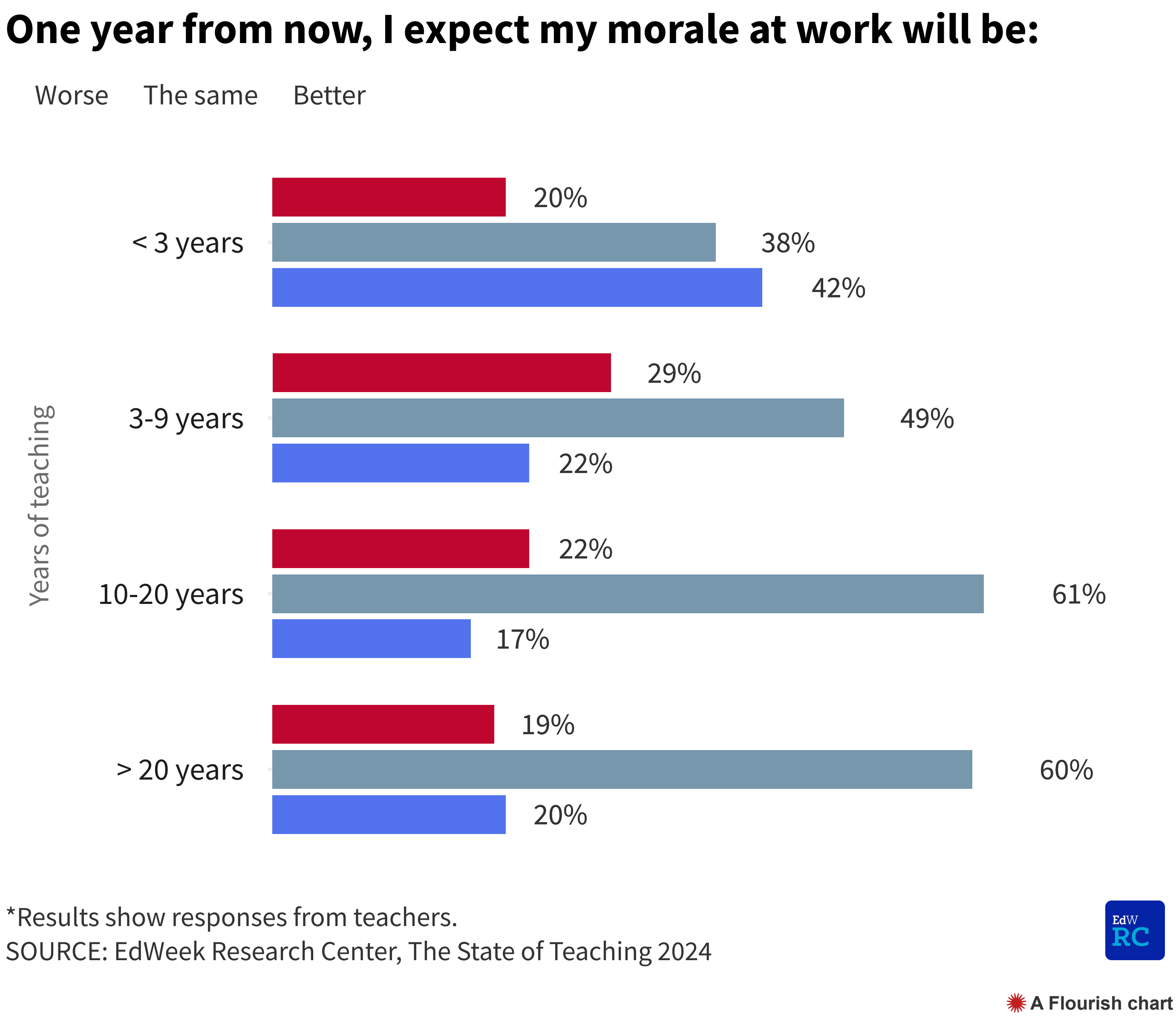

Compared to one year ago, my morale at work right now is:
Worse
The same
Better
Years of teaching
< 3 years
35%
46%
20%
3-9 years
55%
29%
16%
10-20 years
46%
35%
19%
> 20 years
48%
38%
14%
*Results show responses from teachers.
SOURCE: EdWeek Research Center, The State of Teaching 2024
EdW RC
A Flourish chart

Right now, my morale at work is:



*Results show responses from teachers.
SOURCE: EdWeek Research Center, The State of Teaching 2024

A Flourish chart



Federal data from the National Assessment of Educational Progress show a similar trend. When 4th and 8th grade math teachers were asked how much the statement, "I am satisfied with being a teacher at this school," applies to them, the breakdown differed based on years of experience. This was the case among 4th grade reading teachers, too. (There wasn't a high enough response rate for 8th grade reading teachers to make the same determination.)

Among 8th grade math teachers, for instance, 80 percent of newbies (those who had been on the job for less than a year) and 77 percent of seasoned veterans (those who had been teaching for 21 or more years) said being satisfied at their school sounded "exactly" or "quite a bit" like them—compared to 69 percent of teachers with three to five years of experience and 71 percent of teachers who've been in the classroom six to 10 years.

The COVID-19 factor

This phenomenon might be heightened by the extenuating circumstances of the past four years. Teachers experiencing that morale slump now were new or relatively new to the classroom at the height of the pandemic.

“They went through this period of extraordinary difficulty and uncertainty during COVID and anticipated that it would get better, and there would be relief,” said Doris Santoro, a professor of education at Bowdoin College who studies teacher morale. “Now COVID is over, we’re back to normal, and things should feel good. But … it’s not easier for anybody right now.”

Students need extra help catching up on academic ground lost during the pandemic, and teachers are also contending with a reported rise in bad behavior and classroom distractions.

Yet teachers who are a few years into their career might not be fully equipped to tackle those challenges, Santoro said.

“If those zero to three years [in the classroom] were the COVID years, then they may be really experiencing a gap in skills and maybe never established the kinds of supports and professional networks that we know are necessary,” she said.

Layla Treuhaft-Ali, a middle school teacher in Chicago who is in her fifth year in the classroom, agreed: “I still consider myself a new teacher because I lost a year of practical experience during COVID—there were a lot of experiences I didn’t have,” she said.

Salary, workload may play a role

But there are evergreen factors behind this early-to-mid-career morale slump, too. For instance, teachers, on average, make less than similarly educated workers in other fields.

“I just compare myself sometimes to my friends who can take [paid time off] anytime they want, … and they’re making twice as much as me,” Faust said, adding that the discrepancy is heightened for teachers when they’re in the early stages of their careers.

Also, teaching is “a flat career trajectory, so you don’t see that boost—not only in compensation, but in recognition,” Santoro said. “You’re not getting the, ‘Oh, you just made associate from junior [associate].' ... There are no such things at most places as promotions, especially if you want to stay in the classroom."

And while more experienced teachers may be looking ahead toward retirement, "people in that three- to nine-year range, they don't see the end in sight," Faust said.

Another factor: Teachers' workloads are heavy, and that doesn't always change with more experience. In fact, teachers with a few years of teaching under their belts may add to their own workloads by creating more ambitious lesson plans or taking on additional school roles.

"In the first couple years, you're observing what other teachers are doing, then you try to implement [those things] yourselves," said Miranda Mack, a high school physics teacher in Dallas who's in her fifth year in the classroom. "Sometimes you overdo it. ... Teachers at that point can start to feel a sense of burnout."

Meanwhile, she added, "Older teachers have figured out their boundaries."

The gap between professional ideals and systemic challenges

Teachers with a few years of experience have formed a professional identity and corresponding ideals, but they often feel stymied by factors outside of their control, teachers and experts said.

"At the three-year mark, you start to feel pressure from what you have noticed about various policy issues," Mack said. "You see the systemic issues going on, and you feel helpless to change them."

Said Santoro: "It might be a moment where some teachers have the recognition of, 'It's not me, it's you.'"

For instance, staffing shortages and inadequate resources might make it hard for teachers to do their jobs in the way that they'd like. And school leadership is a major factor in teachers' sense of self-efficacy, Santoro said.

"[T]he commitment, hope, and optimism with which many teachers still enter the profession, unless supported within the school, may be eroded over time as managing combinations of low-level disruption from those who don't wish to learn or cannot, or interfere with others' opportunities to learn; increasing media criticisms; and lack of work-life balance take their toll on professional well-being," wrote Christopher Day, a professor of education at the University of Nottingham in England, in a 2012 paper about teachers' professional lives.

Day's work builds on the research of Michael Huberman, who was a professor of education at the University of Geneva in Switzerland. In the 1970s and 1980s, Huberman charted out the phases of a teaching career, based on interviews with Swiss teachers with various levels of experience.

He found that after the first few years in the classroom, teachers begin to stabilize, finding their professional footing and committing to teaching for the long haul. But younger teachers can also experience a career crisis at this point, stemming from boredom, doubts about whether they made the right career choice, and workplace challenges.

Strong school leadership can help teachers be resilient and maintain a sense of purpose and well-being, Day wrote.

How can schools support teachers experiencing a slump in morale?

Experts said school leaders tend to focus a lot of their attention on brand-new teachers, which is important—but teachers still need support a few years in.

Facilitating a sense of connection and community among the teachers at the school is important, as is targeted professional development, Hostetter said. Teachers need to feel like they're successful, she added.

"Competence breeds confidence breeds morale and enthusiasm that carries you through the honeymoon years at the start of the profession," she said.

Treuhaft-Ali, the fifth-year teacher, said she wants administrators to give her grace as she continues to hone her craft.

Teaching is "an incredibly complex profession, and I love that it requires me to be good at a lot of different things, ... but it is impossible that every area is going to be your strength," she said. "While you work to build that up, it can be so discouraging."

RETIREMENT INSECURITY 2024

AMERICANS' VIEWS OF RETIREMENT

NATIONAL INSTITUTE ON
Retirement Security
Reliable Research. Sensible Solutions.

By Dan Doonan and Kelly Kenneally

February 2024

ABOUT THE AUTHORS

Dan Doonan is executive director of the National Institute on Retirement Security. With the Board of Directors, Doonan leads the organization's strategic planning, retirement research, and education initiatives. He has more than 20 years of experience working on retirement issues from different vantage points including an analyst, consultant, trainer, and retirement plan trustee. Previously, he was a senior pension specialist with the National Education Association. Doonan began his career at the Department of Labor as a mathematical statistician, and also spent seven years conducting actuarial analyses with Buck Consultants in the retirement practice. His experience also includes positions as a research director and labor economist. Doonan holds a B.S. in mathematics from Elizabethtown College and is a member of the National Academy of Social Insurance. He is a frequent speaker on retirement issues, including testimony before legislative bodies, and he often is quoted in the news media.

Kelly Kenneally has provided communications counsel to the National Institute on Retirement Security since its founding in February 2007. She implements communications programs that provide accurate data and information on retirement policy issues and has authored the NIRS biennial public opinion research studies. Kenneally has more than 25 years of public affairs experience with corporations, government, and non-profit organizations. Previously, she served in the White House as associate director of the President's Commission on White House Fellowships. She has held communications positions at Micron Electronics and MCI WorldCom, and she began her career at the Maryland General Assembly. She holds a B.A. in government and politics from the University of Maryland.

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EXECUTIVE SUMMARY

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"I am scared to be broke."

The ground is shifting when it comes to retirement. Most Americans are experiencing increased financial pressures and low levels of retirement savings. Amid growing concerns about Americans' retirement readiness, policymakers recently enacted measures to help address the grave savings shortfall. On the federal level, Congress passed important retirement legislation in 2019 and again in 2022. Meanwhile, some 19 states have enacted legislation in recent years establishing new state-facilitated retirement plans for private sector workers who lack retirement plans through their employer.

And in late 2023, IBM shocked the retirement world by announcing the company would reopen its defined benefit (DB) pension plan and end its defined contribution (DC) 401(k) matching contributions, a trend that also is occurring in the public sector. Meanwhile, the 2023 Social Security Trustees Report indicated that the main trust fund's reserves will be depleted in 2033, one year earlier than estimated last year. The financial sustainability of Social Security is critically important because it provides a sizeable portion of retirement income for a large share of Americans.

Against this backdrop, the National Institute on Retirement Security (NIRS) conducted a national public opinion poll of working age Americans to assess their views on key retirement issues. This survey research finds:

- **Americans express strong support for pensions.** More than three-fourths of Americans have a favorable view of pensions, while 77 percent agree that the disappearance of pensions makes it harder to achieve the American Dream. Eighty-three percent of Americans say that all workers should have a pension so they can be independent and self-reliant in retirement.

- **High retirement anxiety continues among Americans.** When asked if the nation faces a retirement crisis, 79 percent of Americans agree there indeed is a retirement crisis, up from 67 percent in 2020. More than half of Americans (55 percent) are concerned that they cannot achieve financial security in retirement. When it comes to inflation, 73 percent of respondents said recent inflation has them more concerned about retirement.

- **Americans want policy leaders to give their retirement concerns a higher priority.** The vast majority of Americans (87 percent) say leaders in Washington don't understand how hard it is for workers to save for retirement, up from 76 percent in 2020. Also, 86 percent say Washington leaders need to focus more on retirement and give it a higher priority on the policy agenda, again up from 2020 (76 percent). Most Americans (84 percent) say government should make it easier to offer pensions to their workers, up from 76 percent in 2020.

- **Americans want action now to safeguard Social Security.** Eighty-seven percent of Americans say Congress should act now to shore up funding rather than waiting another ten years to find a solution. Also, 87 percent say the program must remain a priority no matter the state of federal budget deficits. When it comes to expanding Social Security, slightly more than half of Americans (52 percent) agree with this concept.

- **Americans are worried about long-term care costs in retirement.** Eighty-seven percent are concerned generally about rising costs, while 80 percent are worried about the rising cost of long-term nursing care. A large share of Americans (66 percent) are worried about rising healthcare costs in retirement, 75 percent are concerned about rising housing costs in retirement, and 66 percent are worried about increasing costs to get help with everyday chores like cleaning and cooking.

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"Expenses have accrued so rapidly. I once contributed a hefty amount into my 401k for my age, and now have $0 in my budget to contribute."

I. AMERICANS EXPRESS STRONG SUPPORT FOR PENSIONS AS EMPLOYERS REVISIT RETIREMENT PLAN OFFERINGS

IBM shocked the retirement world late last year when the company announced it would reopen its defined benefit (DB) pension plan and end its defined contribution (DC) 401(k) matching contributions. The move reverses the decades-long trend of companies switching employees to 401(k) accounts. Starting in 2024, IBM now is funding a five percent credit to employees in a "Retirement Benefits Account." This new retirement offering is a cash balance plan, a type of pension the company will create within its legacy "frozen" pension plan. The return to pensions is expected to result in substantial cash savings for IBM, could help recruit and retain workers amid a competitive labor market, and provides employees with the security of a guaranteed lifetime annuity in retirement.[1]

In the wake of the announcement, there has been speculation that other companies could follow suit, especially as research finds there is a good business case for companies to re-open pension plans. A recent JP Morgan Asset Management study indicates that a well-funded corporate pension plan "offers the most cost-efficient mechanism to finance retirement benefits for employees" and can be "accretive to earnings while also reducing corporate leverage."[2] Other research finds a typical pension has a 49 percent cost advantage as compared to a typical 401(k) account, with the cost advantages stemming from longevity risk pooling, higher investment returns, and optimally balanced investment portfolios.[3]

On the public sector side, the town council in Trumbull, Connecticut, recently voted unanimously to resume offering pensions to its police officers to address troubling workforce shortages after switching to a DC plan ten years ago.[4] In Alaska, policymakers on both sides of the aisle are pursuing a return to pensions for public employees as the state faces a deeply troubling shortage of employees who deliver essential public services.[5] West Virginia closed its pension plan for teachers in 1991, only to re-open it in 2005. Overall, the handful of states that switched from a pension to a DC plan found that costs rose, negative cash flow grew, and employee turnover increased. Additionally, the retirement security of plan participants in DC plans was negatively impacted because of a high degree of "leakage" of retirement assets from the DC accounts that replaced pension plans.[6]

It is not surprising that the ground is shifting when it comes to pensions. The U.S. now is four decades into the 401(k) experiment, and it is clear that these plans just can't do the retirement job alone. Most middle-class Americans are unable to accumulate enough savings to be self-sufficient in retirement without a pension. According to the National Retirement Risk Index, half of U.S. households will not be able to maintain their standard of living when they retire even if they were to work up until age 65 and annuitize all financial assets.[7] Some estimates calculate that the median American household needs at least $470,000 more in their retirement account.[8] And Generation X – the latch-key kids that are fast approaching retirement age and the first generation to enter the labor market following the shift from pensions to 401(k) accounts – faces a dismal retirement outlook. When looking at median retirement savings levels for Generation X, the bottom half of earners have only a few thousand dollars saved for retirement, and the typical household has only $40,000 in retirement savings.[9]

When it comes to Americans' sentiment about pensions, support is high. More than three-fourths of Americans consistently have a favorable view of pensions (**Figure 1**).

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"Since inflation has come, it has really been difficult to see myself retiring when I had planned. I have had a hard time adding into my 401k. Since I am losing money, I am really worried about the future."

Perhaps this is because pensions take the complexity out of retirement. The plan sponsor handles plan investments with professional asset managers, and employees can rely on a stable source of income that lasts through the entirety of retirement.

More than eighty percent of Americans with pensions are confident that their pensions will be there at retirement (**Figure 2**). On the other hand, 401(k) plan balances fluctuate with stock market ups and downs, which can trigger retirement worries.

Figure 1: More than three-fourths of Americans consistently have a favorable view of pensions.

How would you describe your overall view of this type of pension?

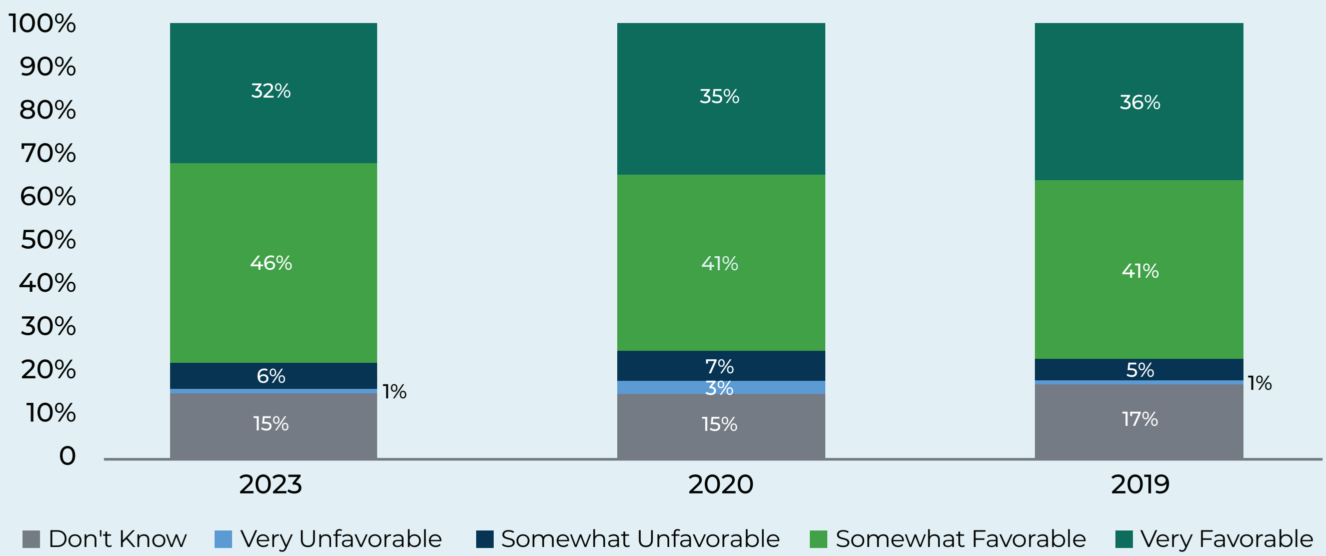
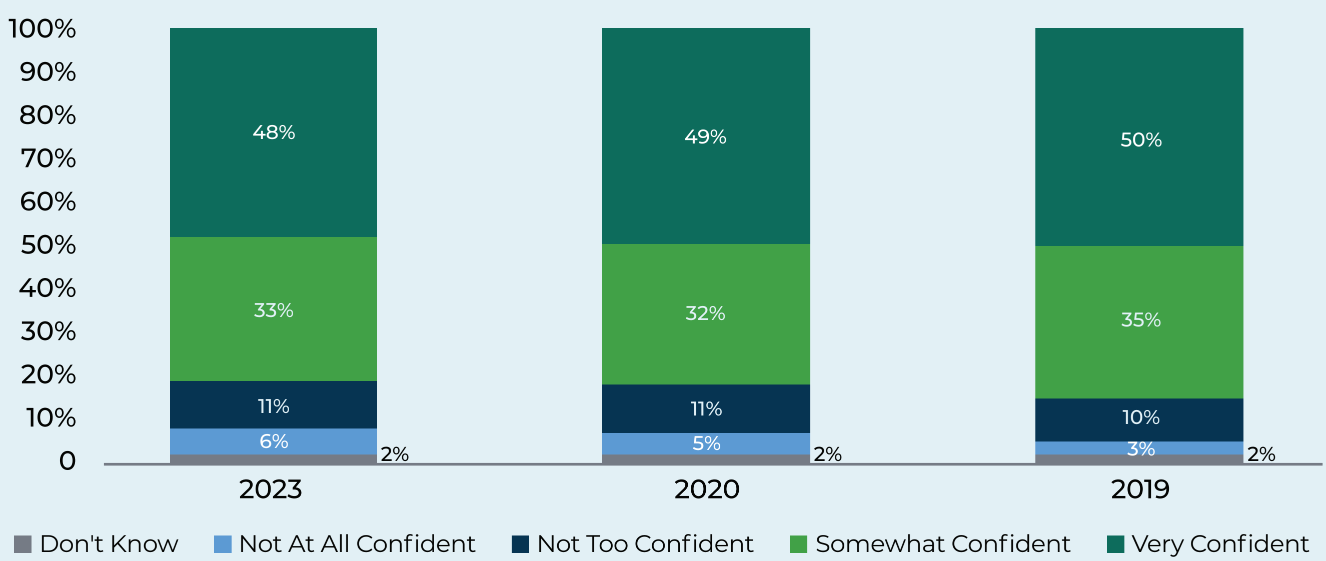


Figure 2: More than eighty percent of Americans with pensions consistently are confident that their pension will be there at retirement.

Before you retired, how confident were you that your pension would be there when it was time to retire?



Pensions also provide a sense of retirement security for Americans. More than three-fourths of Americans agree that those with pensions are more likely to have a secure retirement (**Figure 3**). Again, this likely is because pensions provide a dependable retirement income that won't run out and isn't subject to market fluctuations.

The phrase "American Dream" became popular in 1931 when historian James Truslow Adams wrote *The Epic of America*. In the book, he was attempting to assess what had gone wrong in a nation struggling through the Great Depression. Adams defined the American Dream as "that dream of a land in which life should be better and richer and fuller for everyone."[10]

In a more recent book, *Ours Was the Shining Future,* author David Leonhardt examines the economic history of the U.S., finding that the American Dream today has all but died largely due to growing economic inequality. Relying on research from Harvard economist Raj Chetty, the book details how only half of Americans are likely to earn more than their parents. The research finds that while 90 percent of children born in the 1940s grew up to earn more than their parents, now only half of children grow up to earn more than their parents.[11] A wide body of research examines the growing issue of economic inequality in the U.S., as well as how changes to retirement plan structures further weaken middle class economic security in retirement. More specifically, the accumulation of financial assets among Americans is increasingly unequal, especially for Blacks and Hispanics.[12]

Pensions are considered a way for middle-class Americans to sustain their standard of living in retirement because they provide reliable income that lasts through retirement, but pension coverage has declined dramatically in the private sector. In 1975, private-sector pension plans had a total of 27.2 million active participants, and that number dropped to 12.6 million active participants in 2019.[13] Given this decline in pension coverage, NIRS asked Americans their views about the role of pensions in achieving the American Dream. More than three-fourths of Americans agree that the disappearance of pensions makes it harder to achieve the American Dream (**Figure 4**).

As many private sector employers replaced pensions with 401(k) accounts, risk and responsibility largely was shifted to workers. Under a 401(k) system and unlike a pension plan, workers bear the responsibility for determining how much to save, how to invest the assets, and how to spend down their savings at the right rate such that a retiree doesn't outlive their savings.

NIRS asked workers how they feel about these 401(k) accounts as compared to pensions when it comes to their financial security in retirement. More than three-fourths

Figure 3: More than three-fourths of Americans agree that those with pensions are more likely to have a secure retirement.

To what extent do you agree or disagree: Americans with traditional pensions are more likely than those without pensions to have a secure retirement.

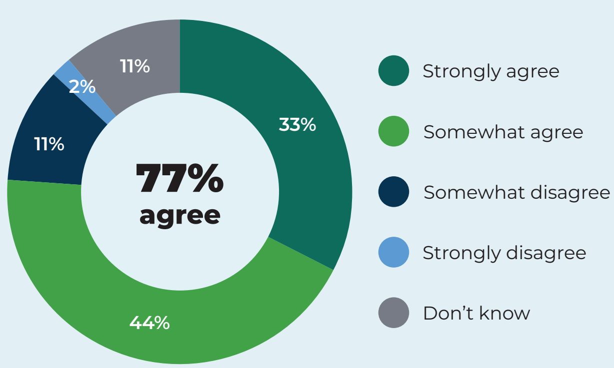
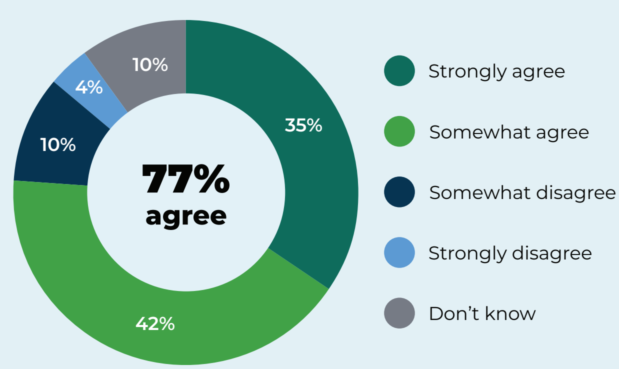


Figure 4: Americans overwhelmingly agree that the disappearance of pensions makes it harder to achieve the American Dream.

To what extent do you agree or disagree: The disappearance of traditional pensions has made it harder for workers to achieve the American Dream.



of Americans consistently agree that pensions are better than 401(k)s for achieving retirement security (**Figure 5**).

The vast majority of Americans also agree that all workers should have a pension so they can be independent and self-reliant in retirement rather than having to rely upon their families or government programs to help meet their basic needs (**Figure 6**).

Today, many employers face workforce shortages and are grappling with ways to recruit and retain workers. Employers of every size and industry across nearly every state say they're facing unprecedented challenges finding workers to fill jobs. Recent data shows there are 9.5 million job openings in the U.S., but only 6.5 million unemployed workers.[14]

Figure 5: More than two-thirds of Americans consistently agree that pensions are better than 401(k)s for achieving retirement security.

To what extent do you agree or disagree: Pensions do more to help workers achieve a secure retirement as compared to retirement savings plans such as 401(k)s.

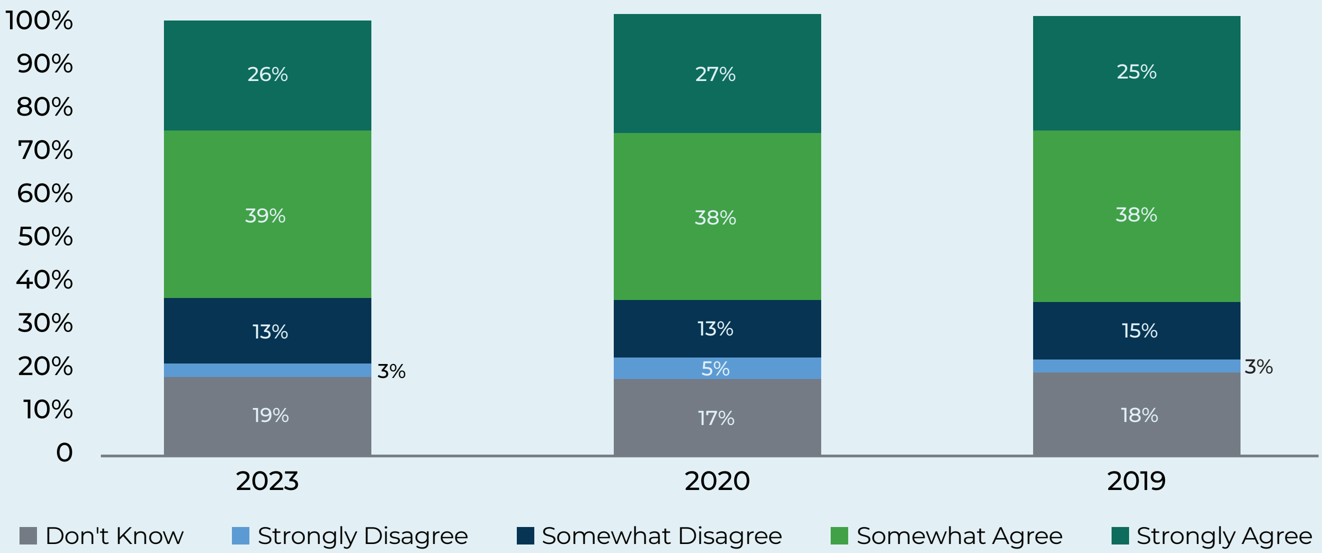
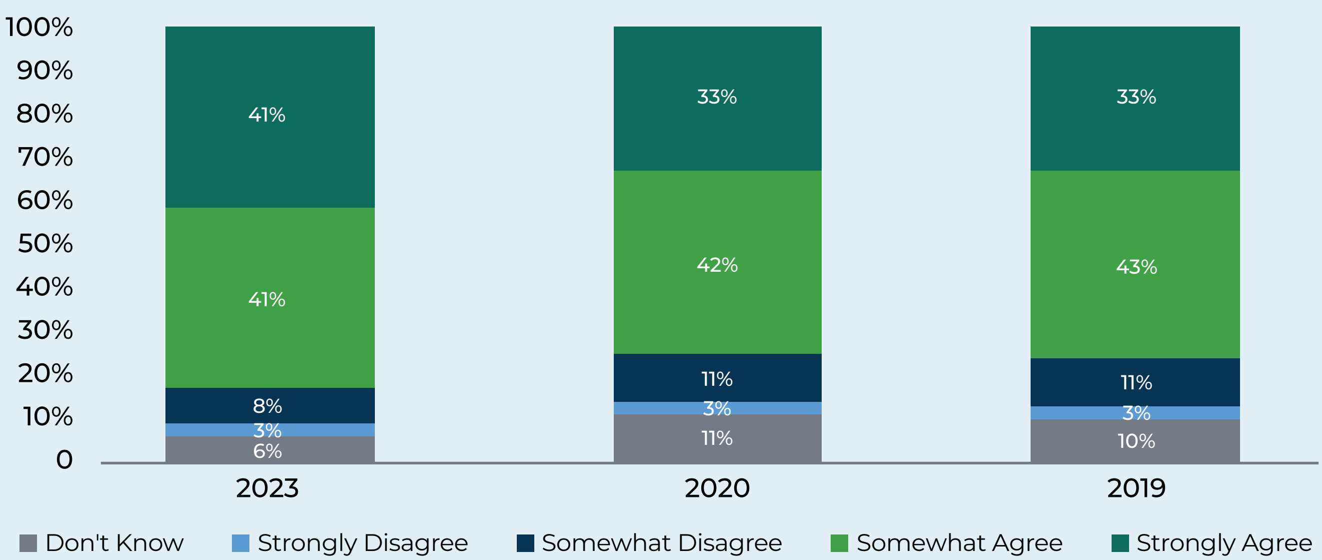


Figure 6: The vast majority of Americans say all workers should have a pension so they are independent and self-reliant in retirement.

To what extent do you agree or disagree: I believe that all workers should have access to a pension plan so they can be independent and self-reliant in retirement.



As employers compete for workers, retirement benefits are a key consideration of employees when considering job opportunities. While salary and job security are top considerations, retirement benefit offerings are important factors when employees are asked to rate job features (**Figure 7**).

These benefits are becoming increasingly important to workers. More than one-third of Americans who are working (39 percent) say their retirement benefits have become more important over the past year (**Figure 8**). This perhaps can be attributed to worker concerns about their financial situation given recent economic volatility and

Figure 7: 78% of workers say retirement benefits are an important job factor.

When making job decisions, how important are the following job features to you?

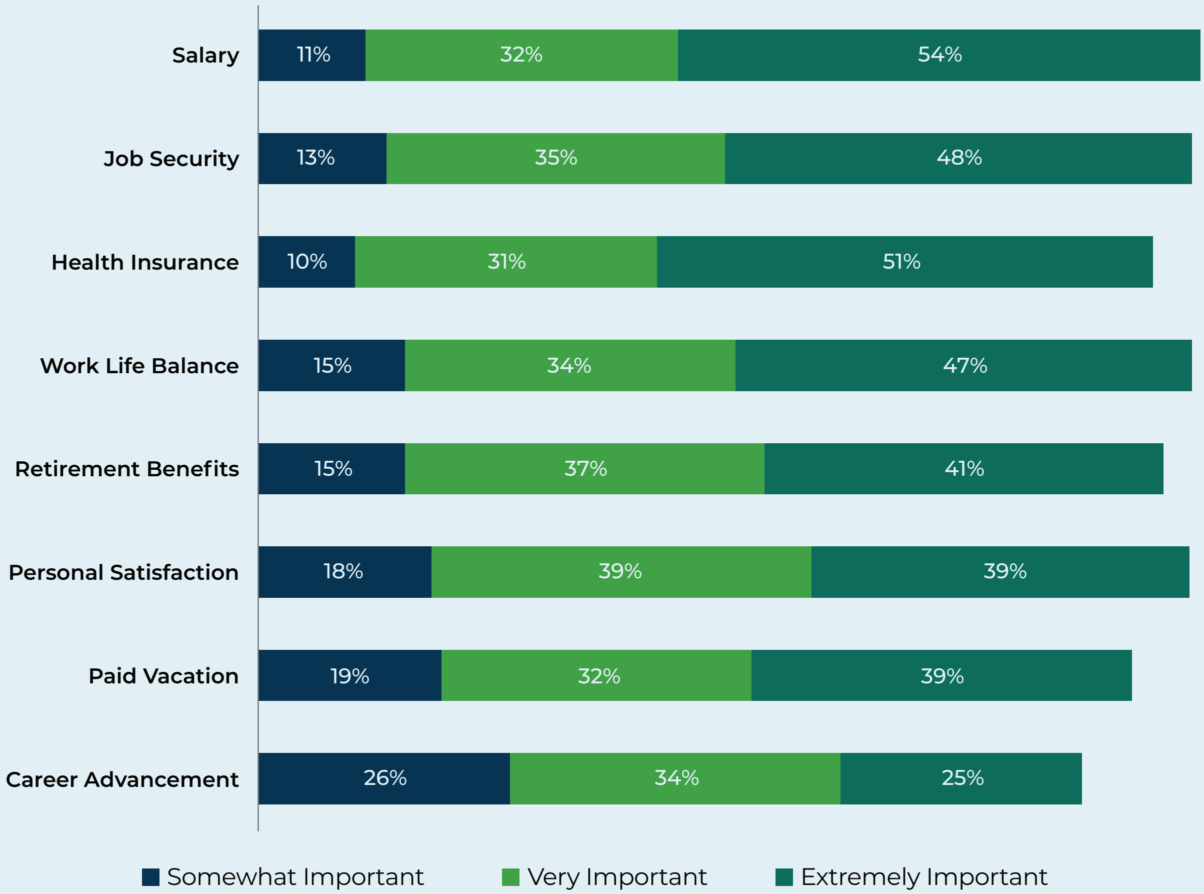


Figure 8: More than one-third of working Americans say retirement benefits have become more important over the past year.

Which of the following job features, if any, have become more important to you personally over the past year? Please select all that apply.

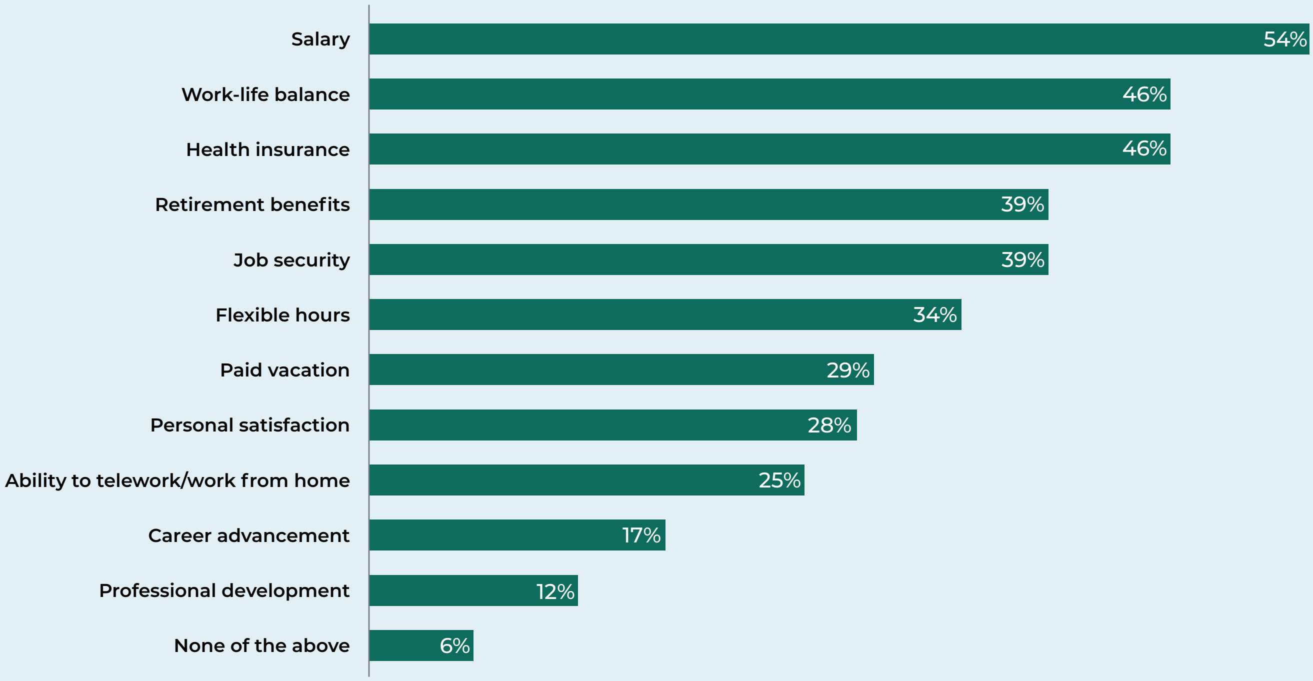
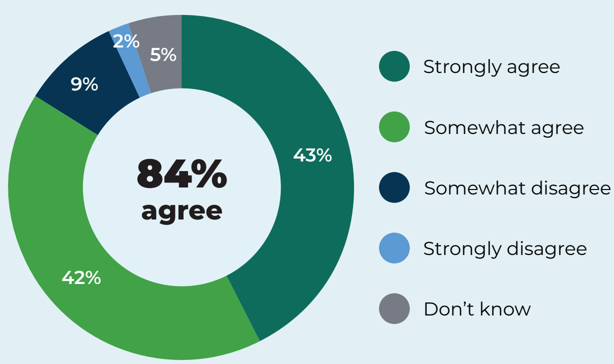


Figure 9: The vast majority of Americans agree that recent market volatility makes it more important to have guaranteed income in retirement.

To what extent do you agree or disagree: The market volatility we've witnessed over the past year makes it feel even more necessary to have income in retirement that is guaranteed for life.



high inflation. This volatility has made Americans value one of the key features of pensions – guaranteed income in retirement. A whopping 84 percent of Americans say that recent market volatility has made it all the more important to have guaranteed income in retirement (**Figure 9**).

As employers continue to evaluate their retirement plans amid market volatility, employee financial worries, and workforce shortages, offering pensions could be a way to address all of these issues.

NIRS asked workers to imagine they are evaluating two new job opportunities. Both jobs are similar in all aspects (such as pay, type of work, etc.) except for one. Job A offers employees a traditional pension plan as part of the retirement benefits, and Job B offers a retirement savings plan like a 401(k). More than half (57 percent) said they are more likely to choose the job that offers a pension (**Figure 10**).

Even more striking is the retention impact of pensions. NIRS asked workers if their current employer offered a pension, would they be more likely to stay at the company longer even if another job opportunity arose. Ninety percent of workers with a pension say that a pension benefit makes them more likely to stay in their job even if another job opportunity were to come up (**Figure 11**). The results were similar for workers without pensions. The vast majority of workers (87 percent) without a pension say they'd be more likely to stay at the company longer even if another job opportunity came if their current employer provided a pension (**Figure 12**).

Figure 10: More than half of working Americans would choose a job with a pension rather than a 401(k).

Imagine you are evaluating two new job opportunities. Both jobs are similar in all aspects (such as pay, type of work, etc.) except for one: Job A offers employees a traditional pension plan as part of the retirement benefits, while Job B offers a retirement savings plan (like a 401k). Which job would you be more likely to choose?

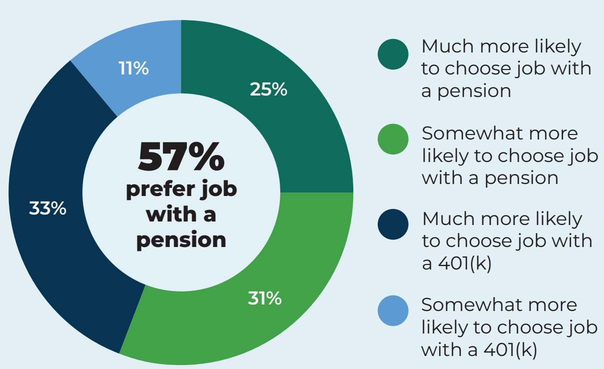


Figure 11: Nearly all workers with a pension say they'd be more likely to stay with a pension.

All other factors equal, if your current employer did not provide a traditional pension plan as part of the retirement benefits, would you be more inclined to leave the company if another job opportunity came up?

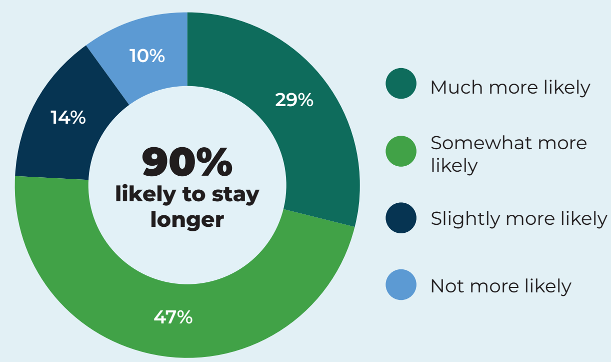
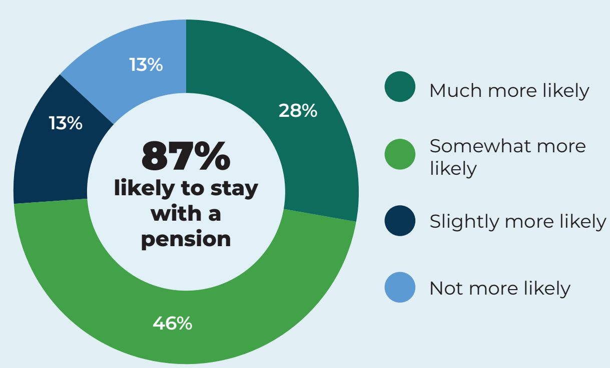


Figure 12: Most workers without a pension say having a pension would make them more likely to stay in their job.

All other factors equal, if your current employer provided a traditional pension plan as part of the retirement benefits, would you be more likely to stay at the company longer even if another job opportunity came up?



II. HIGH RETIREMENT ANXIETY CONTINUES AMONG AMERICANS, EXACERBATED BY INFLATION

During the past several decades, there have been dramatic changes to the U.S. retirement system that have destabilized retirement for large portions of the U.S. workforce. Researchers and retirement experts have encouraged Americans to pursue the "three-legged stool" of retirement savings: Social Security; a defined benefit pension; and individual savings, typically through a defined contribution plan. With the shift away from pensions in the private sector, only a small percentage of older Americans, about seven percent, receive income from all three sources. Roughly equal numbers of older Americans receive income from defined benefit pensions as from defined contribution plans. This is likely to change, however, in the future as fewer private sector workers have access to pensions now than in the past.[15]

Employer-sponsored retirement plans are the main vehicle for employees to save for retirement, but this is part of the retirement problem. U.S. employers are not required to offer any type of retirement savings plans. Data show that in 2021, 69 million (55.5 percent) of workers did not participate in an employer-provided retirement plan. And those without retirement plans are disproportionately low-income earners.[16]

Among Americans who do have retirement accounts, the savings levels are largely inadequate except for a minority of those with the highest income. According to the recent Survey of Consumer Finances (SCF), almost half of American households (46 percent) had no savings in retirement accounts in 2022. Twenty-six percent had saved more than $100,000, and only nine percent had more than $500,000.[17] For Generation X, the generation fast approaching retirement, the median retirement savings levels for the bottom half of earners is only a few thousand dollars, and the typical household has only $40,000 in retirement savings. Retirement savings for Generation X is highly concentrated among the highest earners, while Blacks and Hispanics have substantially lower savings and access to retirement plans as compared to whites.[18]

Additionally, Social Security replaces less income than it did in the past. Americans also are dealing with rising costs in retirement. Housing, healthcare, and long-term care costs are rising sharply, presenting even greater obstacles now than in the past decades.[19] And in recent years, inflation across the economy has been a problem – from food to gas prices. Many retirees plan to live on a fixed income. But when the cost of goods and services increases beyond what they have projected, it can impact a retiree's standard of living, or even delay retirement.[20] In 2023, U.S. consumer prices rose 3.4 percent annually, a year marked by government efforts to stem painfully high inflation. The good news is that the annual rate of consumer inflation is down from the December 2022 rate of 6.5 percent.[21]

The cumulative result is that today, most Americans are not on track for a secure retirement. About half of American households are "at risk" of not having enough to maintain their living standards in retirement.[22] This research indicates that Americans understand the depth of the retirement crisis. Americans are deeply concerned about their economic security in retirement, and increasingly see retirement as out of reach.

When asked if America faces a retirement crisis, a large share of Americans increasingly agree there indeed is a retirement crisis (**Figure 13**). Additionally, more than half of Americans consistently are concerned that they cannot achieve financial security in retirement (**Figure 14**).

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"The cost of living has severely impacted our outlook on what we can do now and will be able to do in the future. Insurance doesn't cover medicines as much as they did, and this has cut into our income as well."

Figure 13: **Americans increasingly agree that nation faces a retirement crisis.**

To what extent do you agree or disagree: America is facing a retirement crisis.

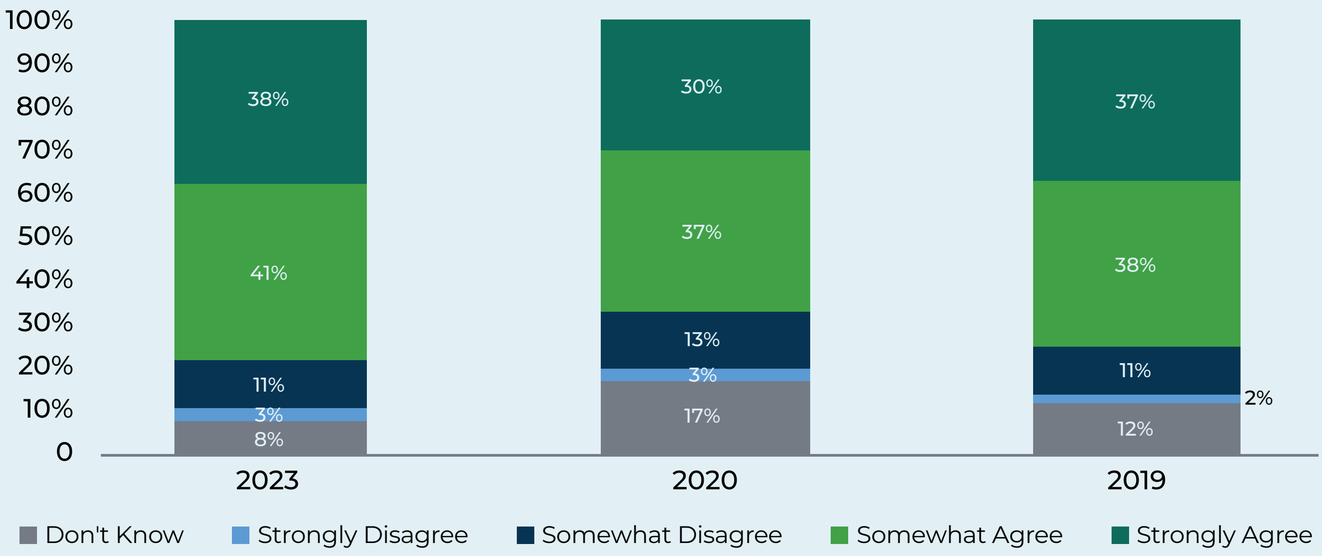


Figure 14: **More than half of Americans say they won't be able to achieve a secure retirement.**

How concerned are you that you won't be able to achieve a financially secure retirement?

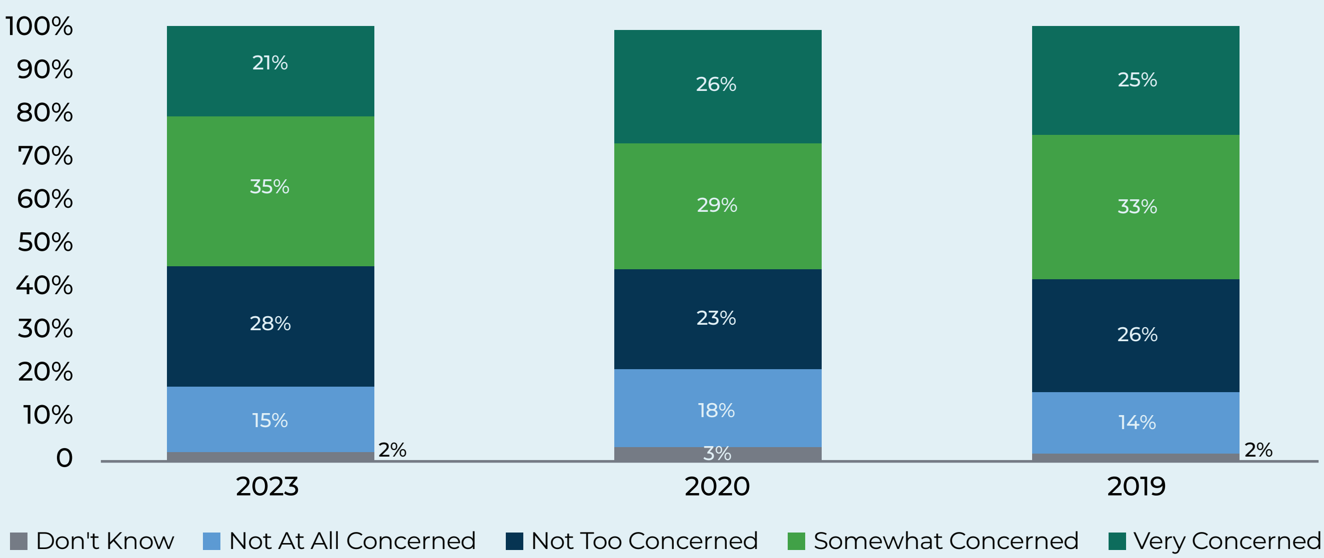


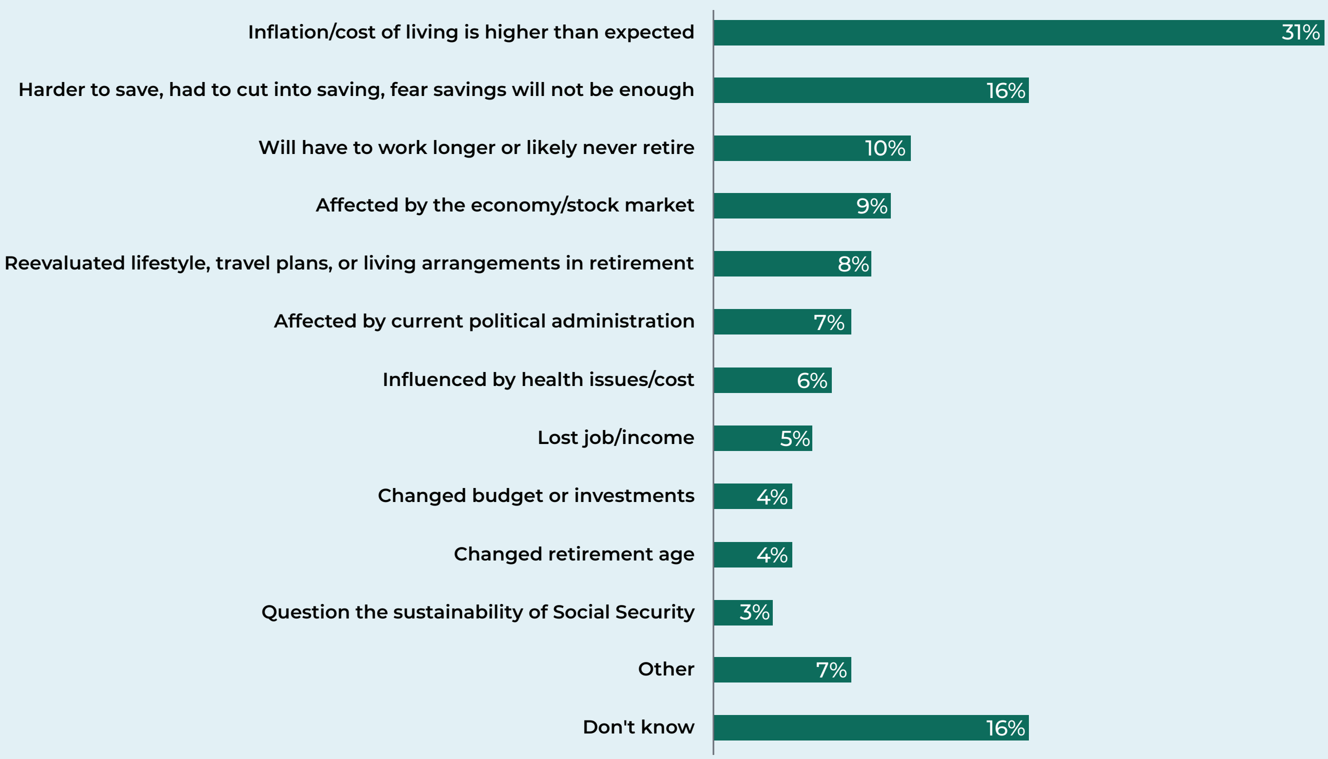
Figure 15: Two-thirds of Americans say events of the past year have impacted what retirement will look like.

Have the events of the past year impacted what you envision your retirement/ the rest of your retirement will look like?

Americans also believe that events during the past year have impacted their retirement vision, with 65 percent in agreement (**Figure 15**). For 31 percent of Americans who say their vision of retirement has changed, inflation and the cost of living are the driving issues. Other reasons that their vision has changed is because it's harder to save, they'll have to work longer, or they've been impacted by the economy or stock market (**Figure 16**).

Figure 16: For about one-third of Americans who say their vision of retirement has changed, inflation and the cost of living are the issues.

In your own words, please describe the ways in which your vision of retirement has changed.



When it comes to inflation, 73 percent of respondents said recent inflation has them more concerned about their ability to achieve a secure retirement (**Figure 17**). Market volatility also has raised retirement worries (**Figure 18**), with 62 percent concerned.

With fewer pensions available and many workers lacking employer-provided retirement plans, there's an increasingly large worry that the typical American worker cannot save enough on their own for a secure retirement (**Figure 19**).

Figure 17: Nearly three-fourths of Americans are more concerned that inflation is impacting their ability to achieve retirement security.

Have any of the following impacted your concern, if at all, that you won't be able to achieve a financially secure retirement: The level of inflation we've witnessed over the past year.

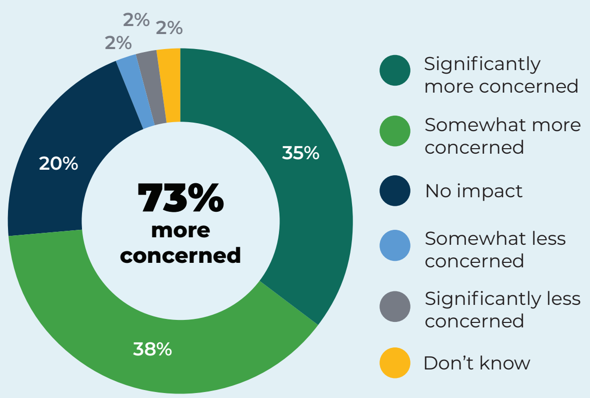


Figure 18: A large share of Americans are more concerned that market volatility is impacting their ability to achieve retirement security.

Have any of the following impacted your concern, if at all, that you won't be able to achieve a financially secure retirement: The market volatility we've witnessed over the past year.

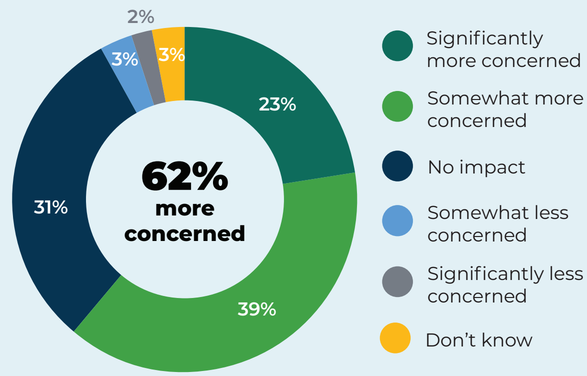
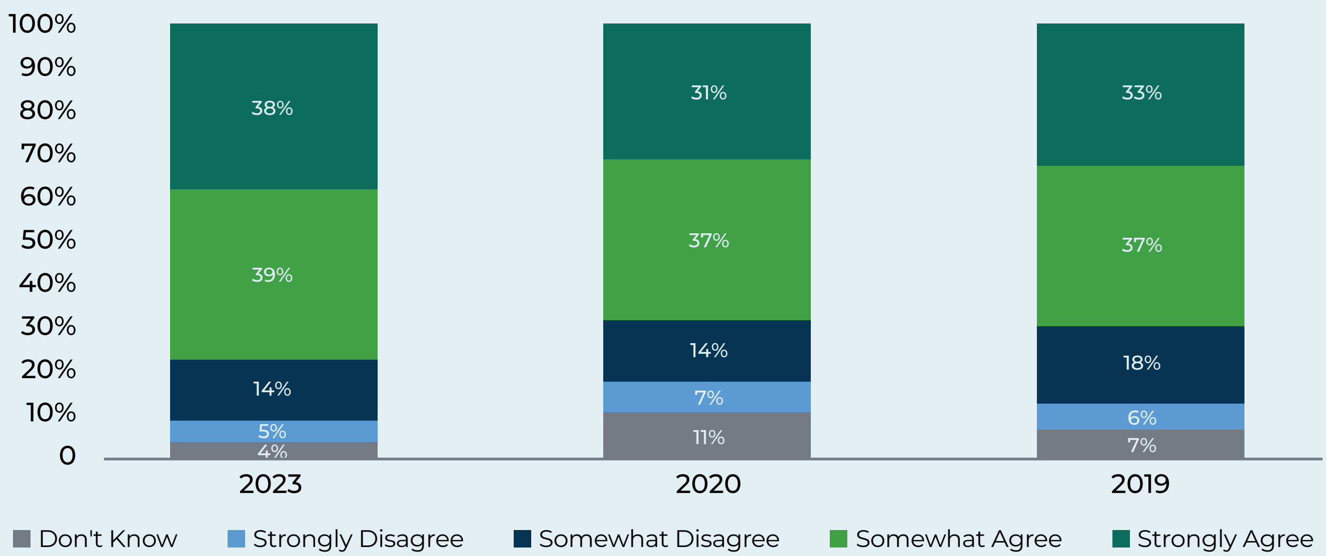


Figure 19: A large share of Americans increasingly agree that the average worker cannot save enough on their own for a secure retirement.

To what extent do you agree or disagree: The average worker cannot save enough on their own to guarantee a secure retirement?



Workers also feel that their employers should play a bigger role by contributing more to employee retirement plans (**Figure 20**). Employees expect they will need income increases in retirement to contend with inflation (**Figure 21**). And increasingly, Americans agree that retirement is only getting harder (**Figure 22**). Workers say there are many reasons why retirement is getting harder – from inflation to fewer pensions (**Figure 23**).

Another factor that is impacting Americans' concerns about retirement relates to debt. For the third quarter of 2023, total household debt rose by 1.3 percent to reach

Figure 20: Most Americans increasingly agree that employers should contribute more to workers' retirement plans.

To what extent do you agree or disagree: Employers should contribute more money to workers' retirement plans to allow them to achieve a secure retirement.

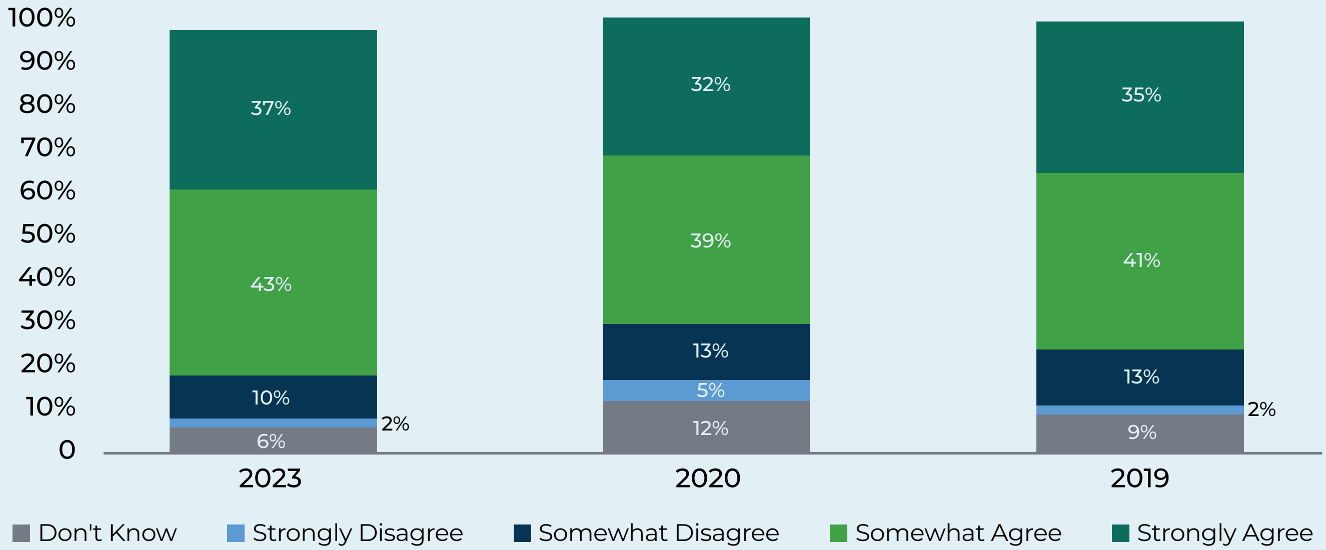
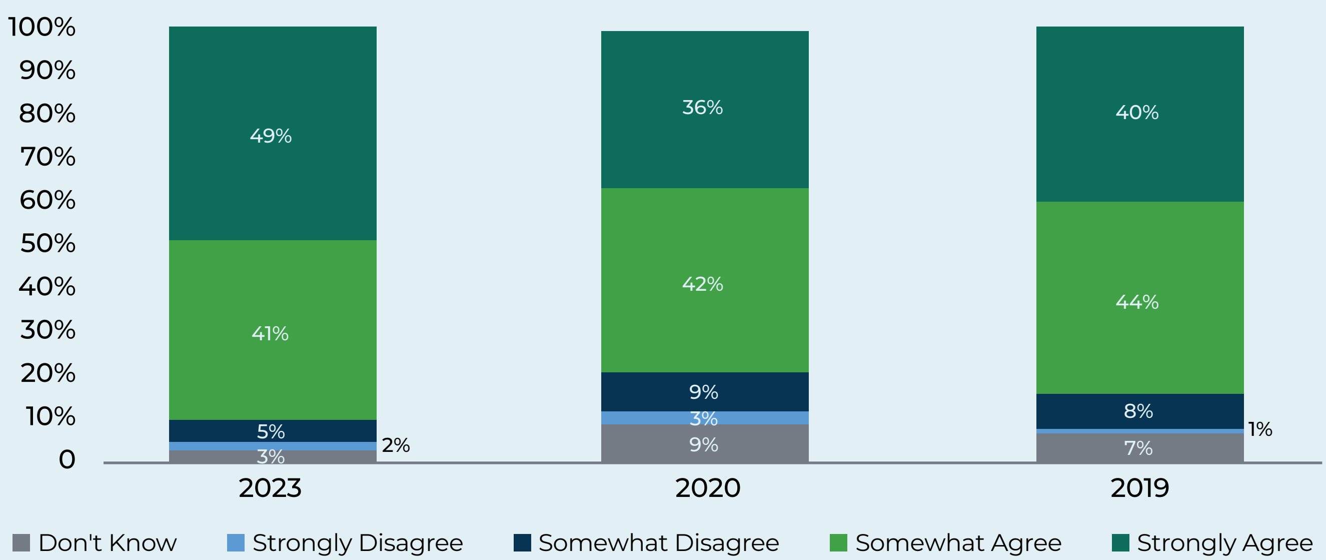


Figure 21: The vast majority of Americans agree that they need income increases in retirement to contend with inflation.

To what extent do you agree or disagree: When retired, it is essential that income you receive increases each year so you can afford to pay higher prices for things due to inflation.



$17.29 trillion. Mortgage balances increased to $12.14 trillion, credit card balances to $1.08 trillion, and student loan balances to $1.6 trillion. Delinquency rates increased for most debt types, except for student loans.[23] Federal

Figure 22: Americans increasingly agree that it's only getting harder to retire.

Do you feel that – compared to today – it will be easier or harder for Americans to prepare for retirement in the future, or will there be no difference?

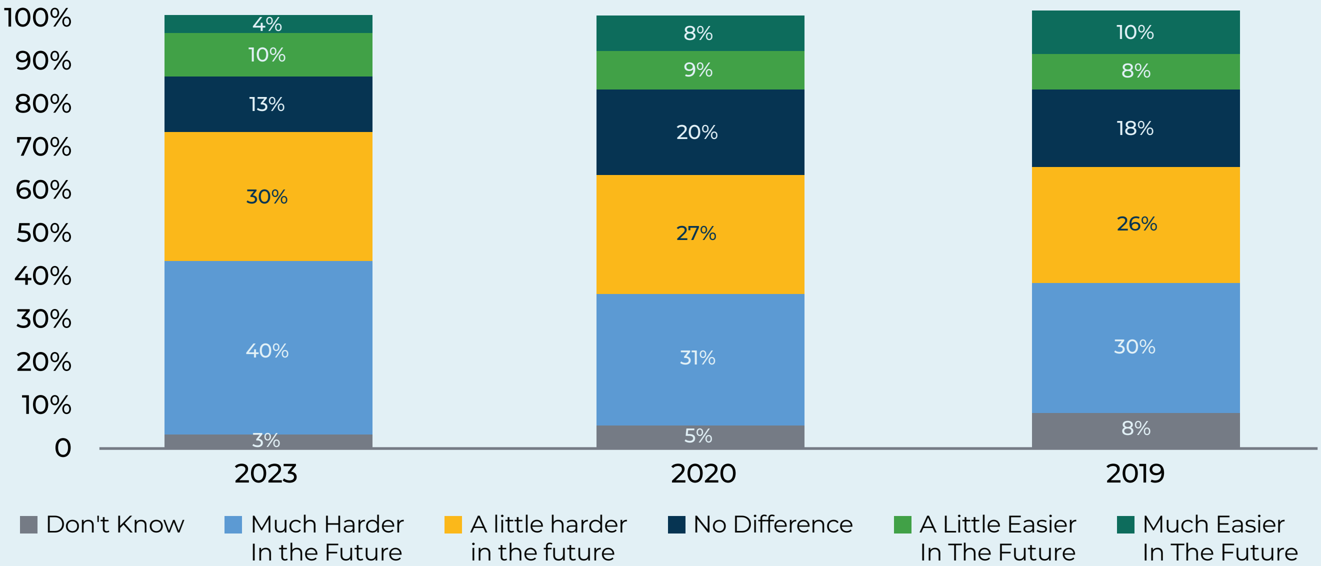
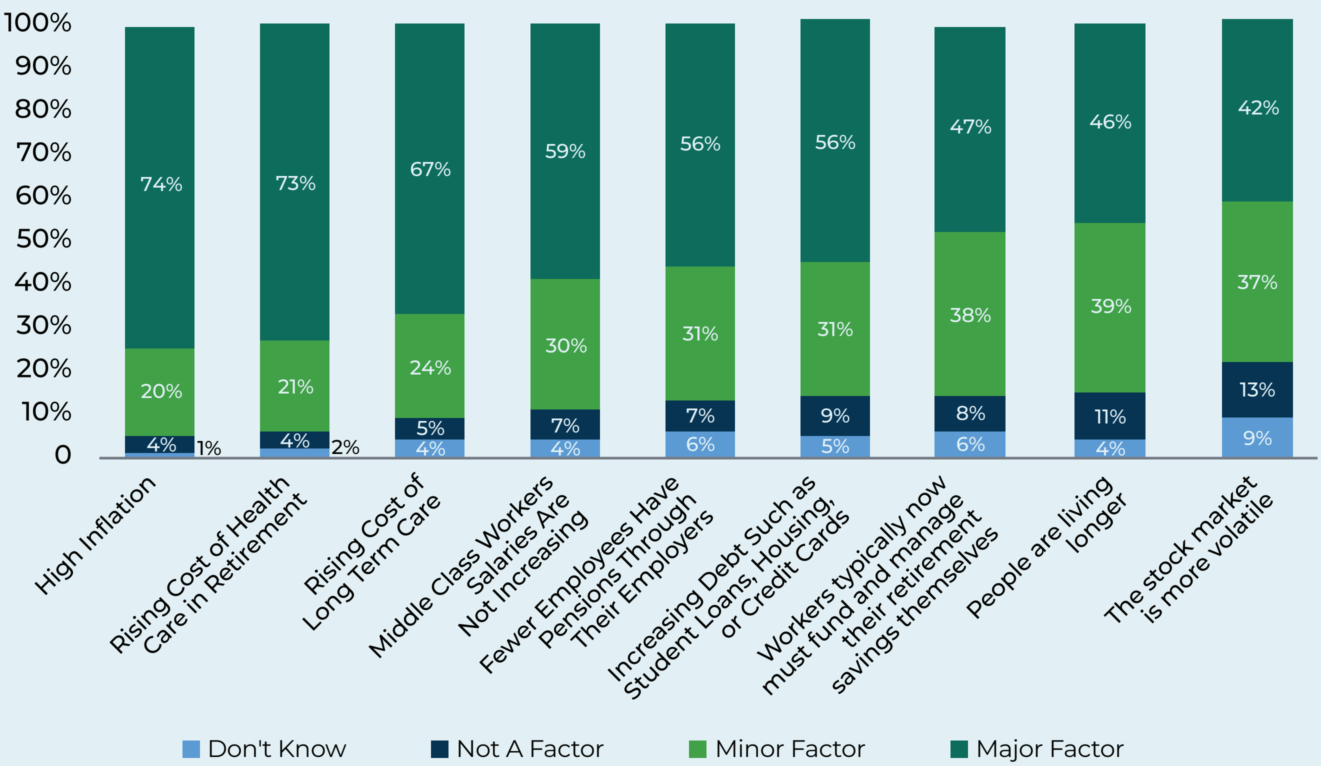


Figure 23: Rising costs and fewer pensions are key factors in making it harder to prepare for retirement.

To what extent do you feel each of the following issues are a factor in making it harder for Americans to prepare for retirement?

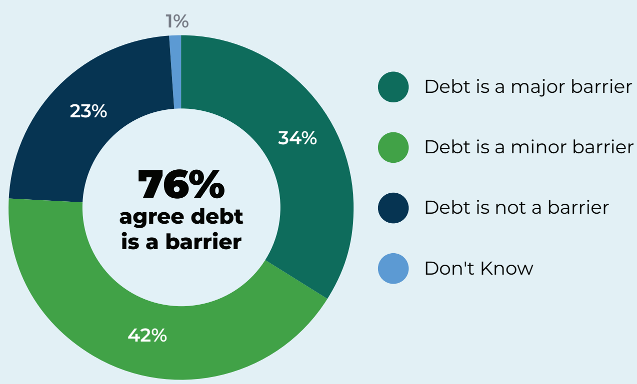


Reserve Governor Lisa Cook said, "we are seeing emerging signs of stress for households with lower credit scores, and individual borrowers may struggle with debt burdens in the face of economic hardships."[24] When asked if debt is preventing adequate retirement savings, seventy-six percent say debt is a barrier. (**Figure 24**).

Another factor complicating the retirement situation for Americans relates to financial education. A wide body of research finds that there is a need to improve American's financial education, especially since today's "on your own" retirement system demands a fair amount of sophistication to calculate how much to save, how to invest, and how to appropriately spend down retirement assets so they don't run out.

Figure 24: Debt is a barrier to retirement savings for more than three-fourths of working Americans.

To what degree does debt prevent you from saving as much as you believe you should be saving for retirement?

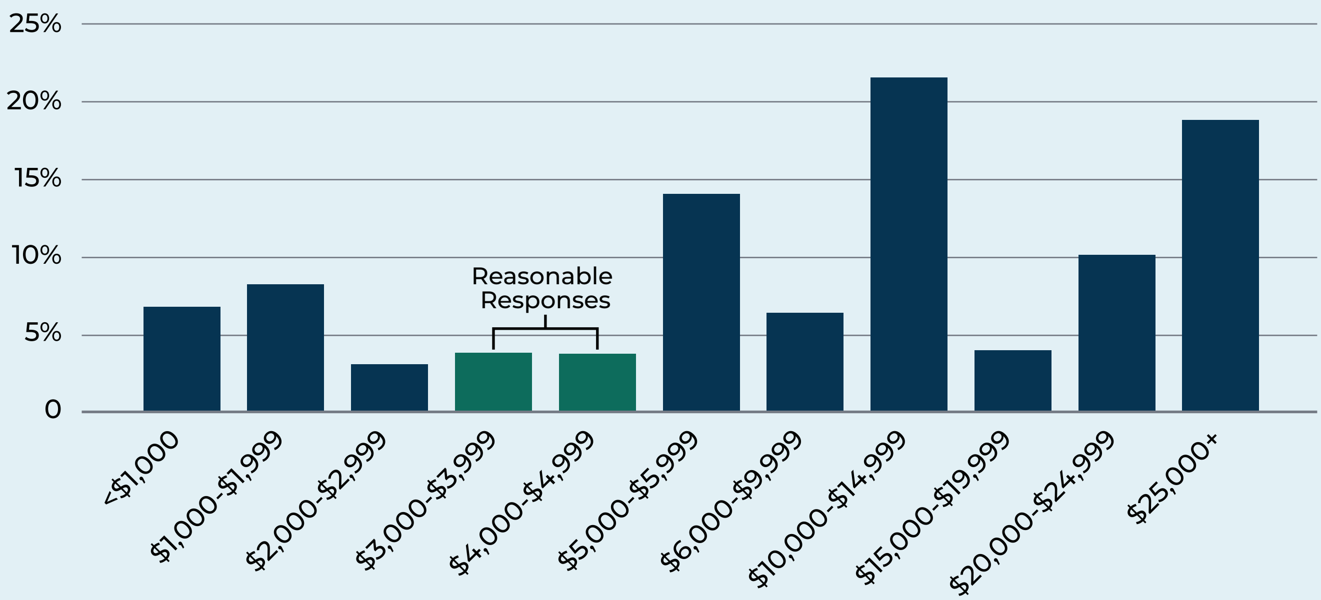


With regard to spending retirement assets, there isn't a perfect decumulation strategy. But most experts point to the "four percent rule," which suggests retirees can safely withdraw four percent of their savings on an annual basis for 30 years. To assess Americans understanding of retirement decumulation, the poll probed American about how much annual income would be generated by $100,000 in retirement savings.

If one applies the four percent rule, a $100,000 nest egg would produce about $4000 of income in the first year of retirement and then increased by inflation each subsequent year. But only eight percent of respondents indicated that $100,000 in savings generate $3,000 to $4,999 annually in income throughout their retirement starting at age 67. Most respondents wildly overestimated the level of income that could be produced from that $100,00 nest egg. Nineteen percent indicated that sum would produce $25,000 or more while 21 percent thought it would generate $10,000 - $14,999 in annual income through retirement (**Figure 25**). Clearly, it is problematic that Americans do not fully understand how much retirement income they can expect from their savings throughout retirement.

Figure 25: Few Americans accurately estimated how much retirement income would be generated from a $100,000 nest egg.

If you were to retire at age 67 with $100,000 in retirement savings, how much income do you think you would be able to draw annually from that savings throughout your retirement?



III. AMERICANS WANT POLICY LEADERS TO GIVE RETIREMENT ISSUES A HIGHER PRIORITY

Congress remains mired in low approval ratings. From threats of government shutdowns to the drama surrounding the House speakership, Americans continue to lose faith in federal lawmakers. Americans' approval of Congressional performance fell to 13 percent in November 2023. This marks the lowest approval rating of Congress since 2017 and is only four percentage points above the all-time low of nine percent in 2013.[25]

This dissatisfaction carries through to views on how lawmakers in Washington are not adequately helping Americans prepare for retirement. To be fair, Congress has taken steps in recent years to address some retirement issues. Congress passed the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) in 2019. And in late 2022, the SECURE 2.0 Retirement Savings Act was signed into law, expanding the SECURE Act of 2019 to further strengthen the retirement system.

While these legislative changes are a step in the right direction, there remains an urgent need to fix the gaping hole of the tens of millions of Americans who lack access to a retirement plan at work, further shore up retirement savings and Social Security, and make it easier for employers to offer pension plans.

Americans say that part of the problem is that lawmakers just don't have a grasp on their struggles to prepare for retirement. The vast majority of Americans consistently say leaders in Washington don't understand how hard it is for workers to save for retirement (**Figure 26**).

A large share of workers also say that Washington leaders need to focus more on retirement and give it a higher priority on the policy agenda (**Figure 27**). When asked how policymakers should handle pensions, a growing number of Americans say government should ease the way for employers to offer pensions to their workers (**Figure 28**).

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"The staggering rate of inflation makes retirement unlikely. I envision a significant, even catastrophic financial disaster on the near horizon that makes me very anxious about relying on the government for any kind of assistance at all."

Figure 26: Most Americans feel leaders in Washington don't understand how hard it is for workers to save for retirement.

To what extent do you agree or disagree: Leaders in Washington do not understand how hard it is for workers to save enough for retirement.

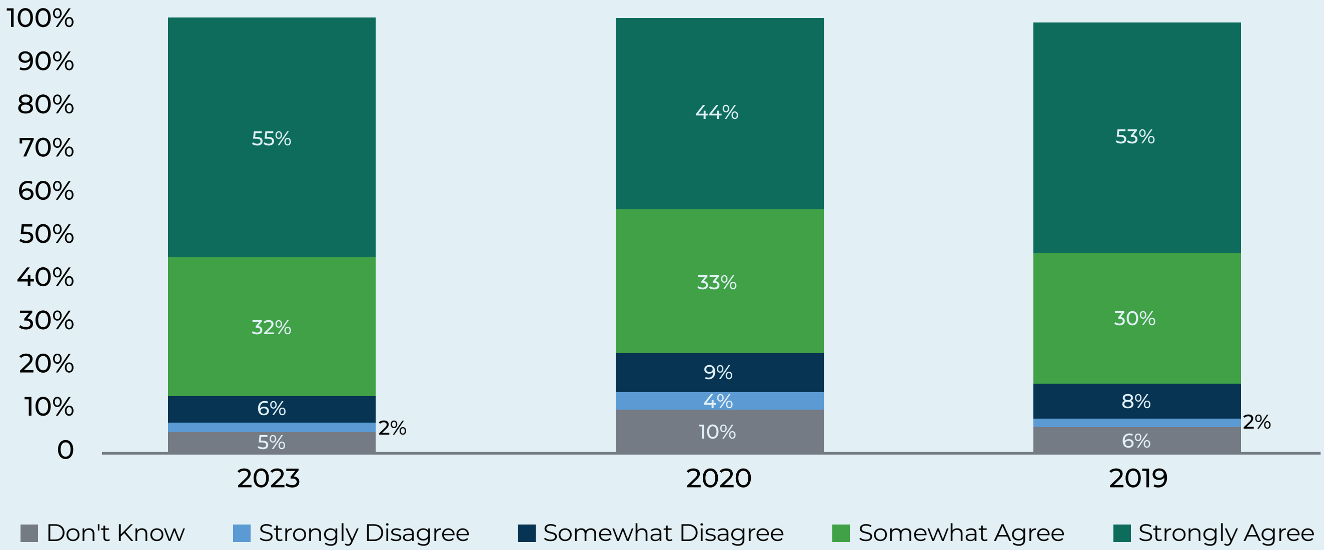
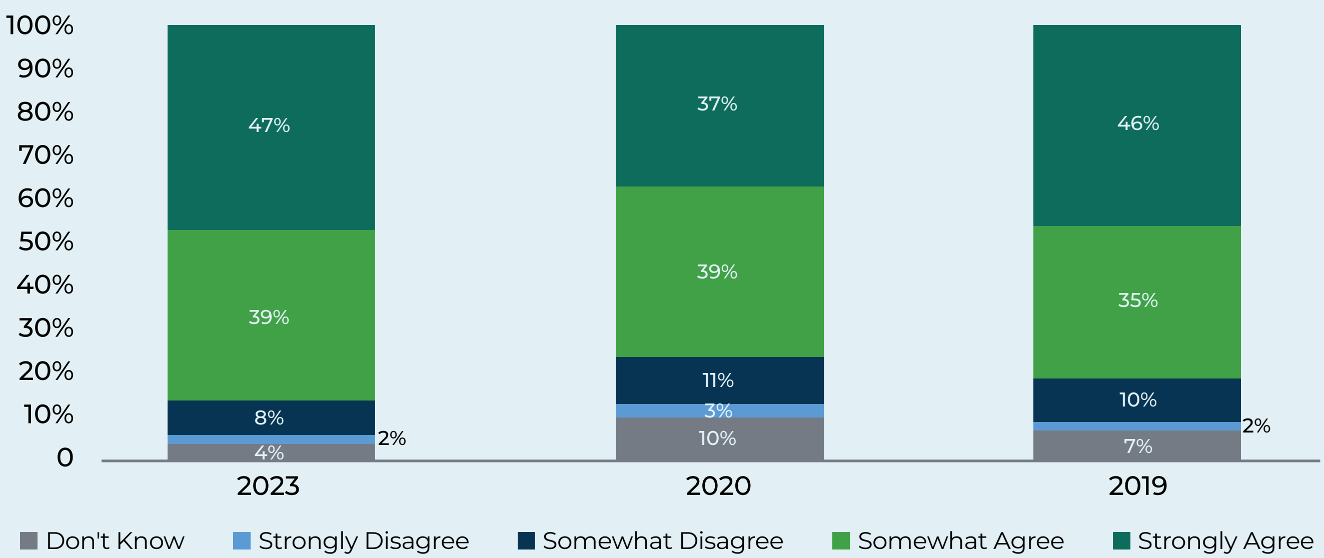


Figure 27: Americans overwhelmingly agree Washington leaders need to give retirement a higher priority.

To what extent do you agree or disagree: Leaders in Washington need to give a higher priority to ensuring more Americans can have a secure retirement.



As Americans age, many lose their physical and cognitive abilities requiring medical and caregiving support. But the cost of long-term care keeps rising, it often is difficult to access, and it can quickly deplete retirement savings.[26] Americans want government to play a role in increasing access to this care as Americans require this care as they grow older. When it comes to accessing long-term care, 87 percent of respondents say government should do more. (**Figure 29**).

Figure 28: The vast majority of Americans say government should make it easier for employers to offer pensions.

To what extent do you agree or disagree: The government should make it easier for employers to offer traditional pension plans.

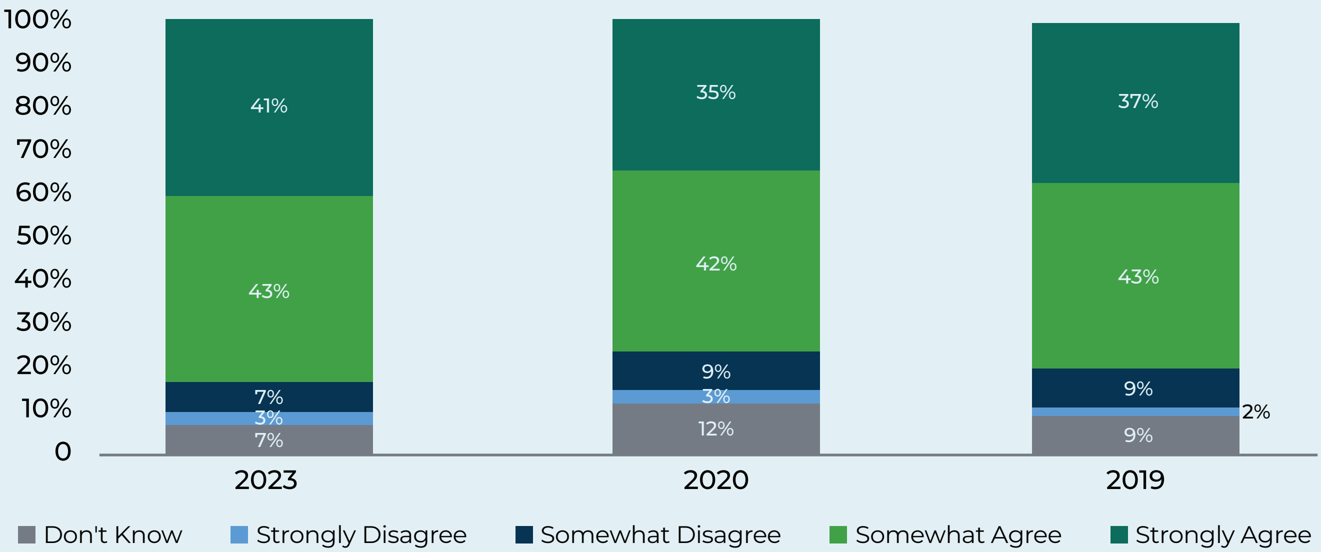
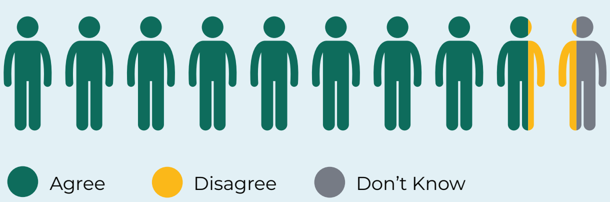


Figure 29: 87% of Americans want government to help in accessing quality long-term care.

To what extent do you agree or disagree: The government should do more to help Americans get access to quality long-term care when the need arises.



IV. AMERICANS WANT ACTION NOW TO SAFEGUARD SOCIAL SECURITY

Established in 1935, Social Security is one of the nation's most successful, effective, and popular programs. About 66 million people, or about one in every five U.S. residents, received Social Security benefits in February 2023. Older adults make up about four in five beneficiaries, and the remaining one-fifth of beneficiaries received Social Security Disability Insurance (SSDI) or were young survivors of deceased workers.[27]

The program is funded by a payroll tax of 12.4 percent on wages, with employees paying 6.2 percent and employers paying the remaining 6.2 percent. Self-employed workers pay the full 12.4 percent. The money paid in today covers current benefits, with any excess going into the Social Security trust fund. Since Congress initiated annual cost-of-living adjustments (COLA) to the program in 1975 to protect benefits from rising costs, there only have been three years in which benefits didn't increase. The single biggest increase of 14.3 percent went into effect in January 1981. For 2024, the Social Security Administration (SSA) announced that the annual COLA will be 3.2 percent, which represents an average increase to retirement benefits of about $50 per month for individuals.[28]

According to SSA, 97 percent of older adults (aged 60 to 89) either receive Social Security or will receive it. These benefits are modest. The average Social Security retirement benefit in February 2023 was approximately $1,782 per month, or $21,384 annually. For someone who worked a full career with average earnings and retired at age 65 in 2022, Social Security benefits replaced about 37 percent of past earnings. This replacement rate fell as the program's full retirement age gradually rose from 65 in 2000 to 67 in 2022.[29] Most financial planners recommend at least a 70 percent income replacement rate, while others are recommending higher replacement rates because Americans are living longer and healthcare costs are rising. The bottom line is that—although Social Security is a key pillar of retirement security—it cannot stand alone in terms of providing financial security in retirement.[30]

Meanwhile, retirees already are feeling the pain of changes to Social Security implemented in 1983 to raise the retirement age. Workers can receive Social Security at 62, but benefits are substantially reduced for those who begin collecting benefits before the full retirement age. The Normal Retirement Age (NRA) for Social Security purposes is set to increase by two months each year until it hits 67. Once fully phased in for Americans born in 1960 and later, the full benefit amount (at age 67) will be reduced by 30 percent for those choosing to draw benefits at age 62. For those who retire at age 65 (the prior NRA for those born before 1938), benefits will be reduced by 13 1/3 percent.[31]

The 2023 Trustees Report indicated that SSA's main trust fund's reserves will be depleted in 2033, one year earlier than estimated last year. This financial outlook for Social Security worsened mainly because of reductions in projected economic output and productivity estimates that were about three percent lower than the previous year's estimates, partly related to the impacts of inflation.[32]

Currently, federal policymakers have not crafted a long-term Social Security funding fix as benefit levels erode. But proposals are emerging from the Administration and Capitol Hill. On the 2020 campaign trail, Joe Biden proposed increasing benefits for low income retirees and boosting the Social Security trust fund by raising taxes on those making in excess of $400,000, But that proposal hasn't progressed during his presidency. Several

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"I'm not sure about Social Security benefits being available."

Democratic lawmakers – Senators Warren and Sanders and Congressman Larson — also have expansion plans.[33] And Republican Senator Bill Cassidy has teamed up with Independent Senator Angus King to develop a bipartisan Social Security "big idea." Their plan would create a fund outside of Social Security that would invest in equities, and the fund's earnings would help pay promised benefits. Critics say the problem is that the current trust fund isn't sizable enough.[34]

Figure 30: Nearly all Americans want Congress to shore up Social Security now.

To what extent do you agree or disagree: Congress should act now to shore up Social Security funding rather than waiting another 10 years.

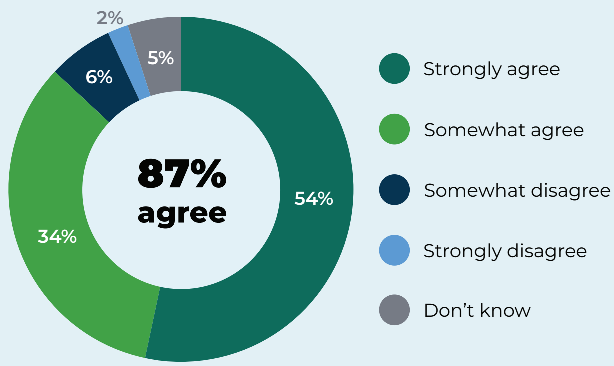
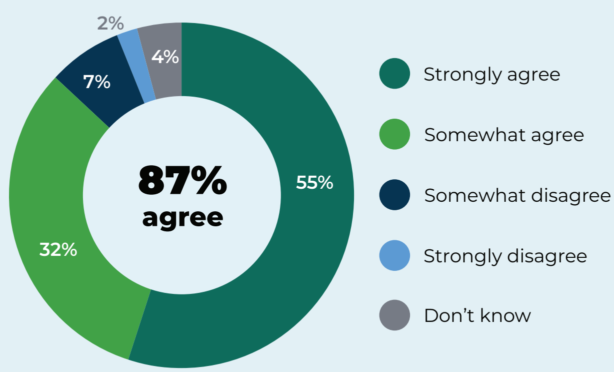


Figure 31: An overwhelming majority of Americans say Social Security must remain a priority.

To what extent do you agree or disagree: Social Security should remain a priority for our country no matter how bad budget deficits get.



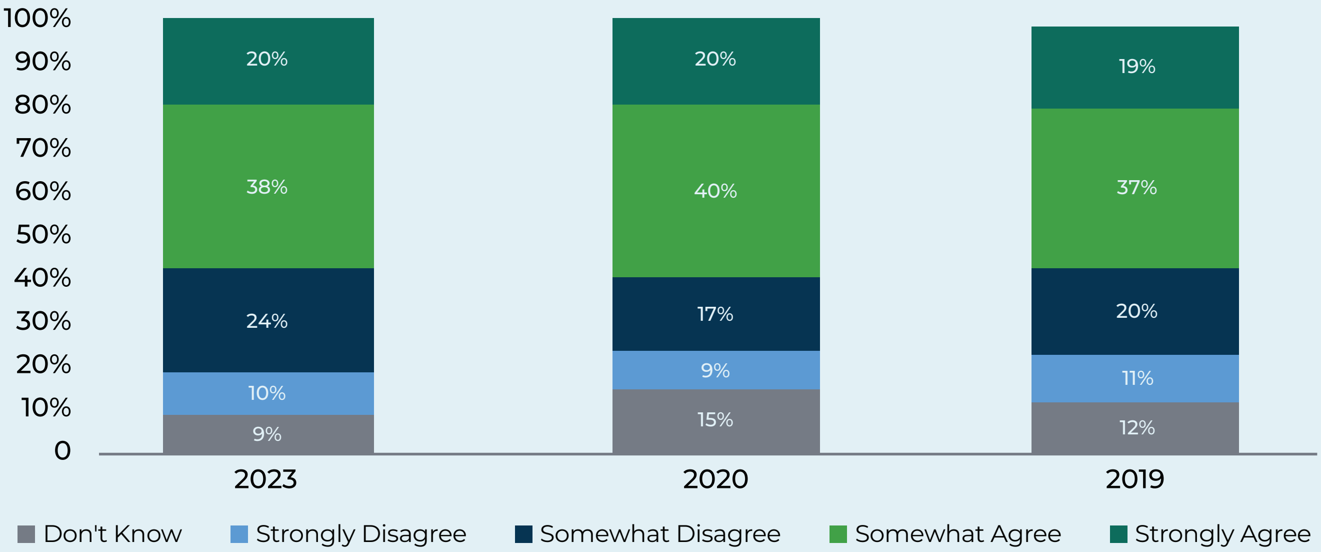
It remains to be seen if Congress and the White House can deliver on fixing the program's funding shortfall and expanding benefits. But this research indicates that Americans clearly want lawmakers to act now to protect Social Security, and there is support for increasing contributions and expanding the program.

When asked about when Congress should act to address Social Security's funding shortfall, Americans don't want leaders to kick the can down the road. Eighty-seven percent say Congress should act now rather than waiting another ten years to find a solution (**Figure 30**).

There's similar support for protecting Social Security. Eighty-seven percent of respondents said the program must remain a priority no matter the state of federal budget deficits (**Figure 31**). There's also a consistent amount of support for the notion that the government should increase the amount that workers and employers contribute to Social Security (**Figure 32**).

Figure 32: Most Americans are in agreement that government should increase the amount that workers and employers contribute to Social Security.

To what extent do you agree or disagree: To ensure that Social Security will be around for future generations, the government needs to increase the amount that workers and employers must contribute to Social Security.



One of the more controversial Social Security issues is whether to again raise the retirement age when Americans would qualify for full benefits, which can be considered a benefit cut. Americans are split on this issue. Nearly half (47 percent) are opposed to further increases in the retirement age, while 44 percent are open to the idea. Another nine percent don't know (**Figure 33**).

When it comes to expanding Social Security, slightly more than half of Americans (52 percent) are in agreement with this concept (**Figure 34**). More specifically, 25 percent agree benefits should be expanded for all Americans while 27 percent say they should be expanded except for wealthier households. Twenty-eight percent support the status quo, while ten percent say benefits should be reduced for wealthier households.

And finally, nearly all Americans (90 percent) say it should be a priority for the next president and Congress to tackle Social Security's funding shortfall (**Figure 35**).

Figure 33: Americans are split on whether to raise the retirement age to qualify for full benefits.

To what extent do you agree or disagree: To ensure Social Security will be around for future generations, the government needs to raise the retirement age that Americans qualify for full Social Security benefits.

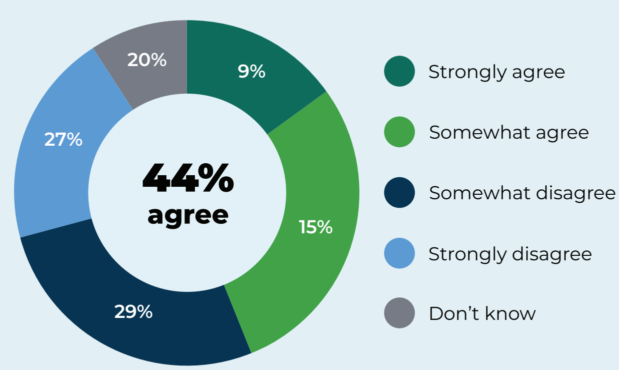


Figure 34: 52% of Americans support an expansion of Social Security benefits.

Would you support an expansion of Social Security benefits, a reduction of benefits, or should it be kept as is?

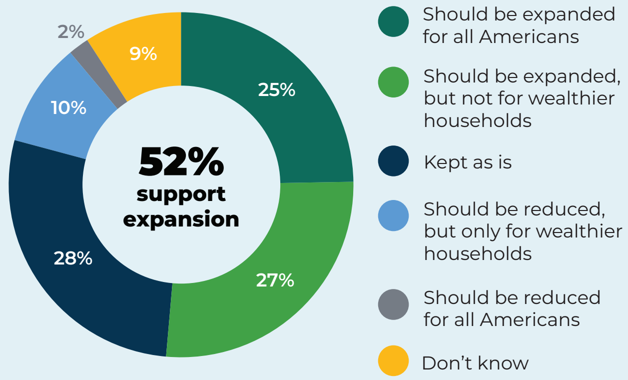
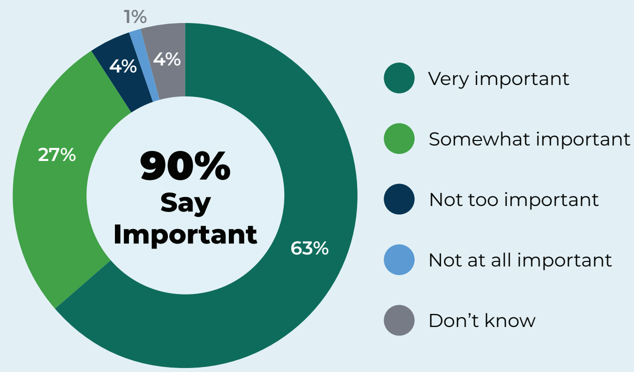


Figure 35: Nearly all Americans say it is important for the next Administration and Congress to solve the Social Security financial shortfall.

Social Security is currently facing a long-term financial shortfall that equals about 1.7% of the country's GDP. How important do you believe it is for the next administration to work with Congress to develop a solution to this financial shortfall?



V. AMERICANS ARE DEEPLY WORRIED ABOUT LONG-TERM CARE COSTS IN RETIREMENT

Long-term care (LTC) comprises a broad range of paid and unpaid care assistance that people need when experiencing difficulties completing self-care tasks. Aging, chronic illness, or disability are all reasons why individuals and seniors might require long-term care. The data show that 69 percent of seniors will require some type of long-term services and supports (LTSS).[35]

There are multiple reasons why there is an urgent need for improving financing and access to long-term care in the United States:

- Healthcare and long-term care costs can be extremely high relative to both income and the level of savings that most Americans have managed to accrue.
- The majority of current workers are not factoring long-term care costs into their retirement plans despite the high rate of LTSS utilization by seniors.
- The country's proportion of seniors continues to rise, which will cause the cost of pay-go financing to pose greater burdens in the future.
- Medicaid, the health insurance program originally designed for people of low income, has become the country's primary payer for long-term services and supports given that many seniors often lack needed resources when facing illnesses like Alzheimer's or dementia.
- The rising costs associated with Medicaid LTSS coverage have placed enormous pressure on state legislatures to seek ways to contain Medicaid costs.[36]

Government programs that help pay for long-term care often fall short. Medicare doesn't cover LTC services for extended periods. Medicaid generally covers long-term care, but recipients usually must be impoverished to qualify. Insurance can help cover the costs, but many insurance companies that priced early policies too low have struggled. Many policyholders already have received skyrocketing premium increases in recent years. For example, in 2023, a large insurance provider, Genworth, was approved by state regulators for increases averaging 56 percent.[37]

Because there is a lack of alternatives and feasible ways to finance the cost of their long-term care, many middle-class seniors are forced to spend down their assets so they are eligible for Medicaid or open LTSS-specific trusts to qualify for Medicaid LTSS coverage. This often requires careful planning and/or legal help for those with assets. This approach forces families to manage bureaucratic confusion while dealing with severe health issues, which is trying for seniors and their families. There have been multiple bipartisan efforts to develop strategies and policy options to address the projected increases in LTC needs. But a key sticking point relates to disagreements about the role of government versus individuals and families to provide for older adults. Yet the nation still faces uncertainty about future expenses that can result in substantial financial risks that individuals and governments are not planning for.[38]

Given this environment, it's easy to understand why Americans are deeply concerned about rising costs, particularly for long-term care. Eighty-seven percent of respondents are concerned generally about rising costs (**Figure 36**), while 80 percent are worried about the rising cost of long-term nursing care (**Figure 37**).

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

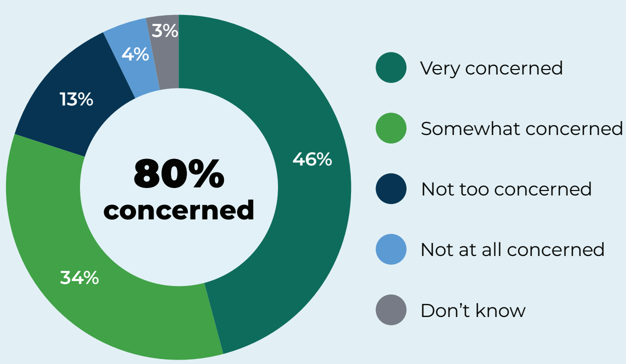
"Healthcare costs are extremely high compared to a couple years ago, and that has to be taken into account if retiring before Medicare eligible age."

Figure 36: 87% of Americans are concerned about rising costs during retirement.

To what extent are you concerned about rising costs in the following areas during your retirement:
Costs in General

Figure 37: Most Americans are concerned about the rising cost of long-term nursing care.

To what extent are you concerned about rising costs in the following areas during your retirement:
The cost of needing long-term nursing care.



In terms of options for funding long-term care, Americans are split as to whether government should collect money to pay for long-term care, similar to Social Security. Fifty-three percent support such an approach, 35 percent are opposed, and 12 percent don't know (**Figure 38**). One example of a LTC government program is Washington State's WA Cares. The state recently enacted a new 0.58 percent payroll tax to pay for this state-run long-term care insurance program. Eligible participants would receive up to $36,500 per person, per lifetime to help pay for nursing care and other services they may need as they age. Some state lawmakers, however, want to let Washington workers opt-out. If there were a high number or workers who chose to opt-out, it would destroy the finances of the newly created program out of the gate.[39]

Figure 38: Americans are split on whether government should collect money from each paycheck to pay for long-term care.

To what extent do you agree or disagree: Similar to Social Security, state government programs should collect a small amount from every paycheck to assist Americans in someday paying for long-term care.

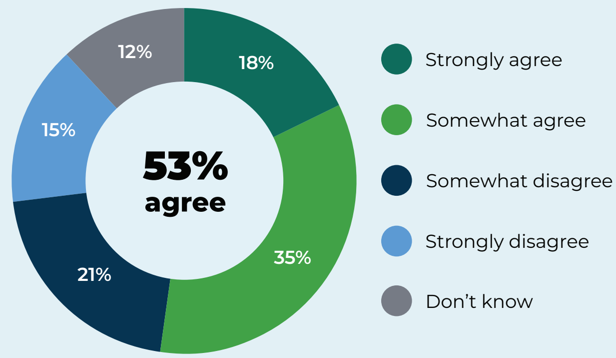
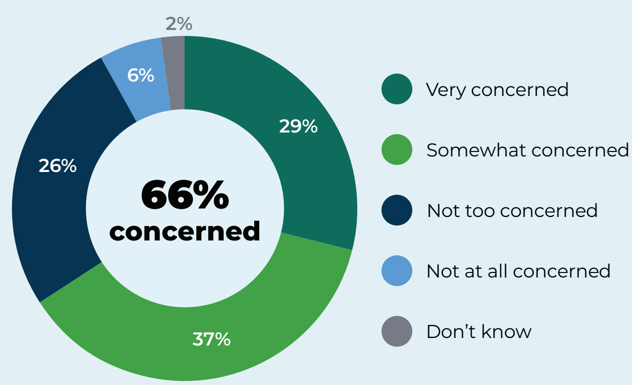


Figure 39: Most Americans are concerned about rising healthcare costs in retirement.

To what extent are you concerned about rising costs in the following areas during your retirement:
Healthcare costs.



The research also finds that 66 percent of Americans are worried about rising healthcare costs in retirement (**Figure 39**), 75 percent are concerned about rising housing costs in retirement (**Figure 40**), and 66 percent are worried about increasing costs to get help with everyday chores like cleaning and cooking (**Figure 41**).

Figure 40: Three-fourths of Americans are concerned about rising housing costs in retirement.

To what extent are you concerned about rising costs in the following areas during your retirement: Housing costs

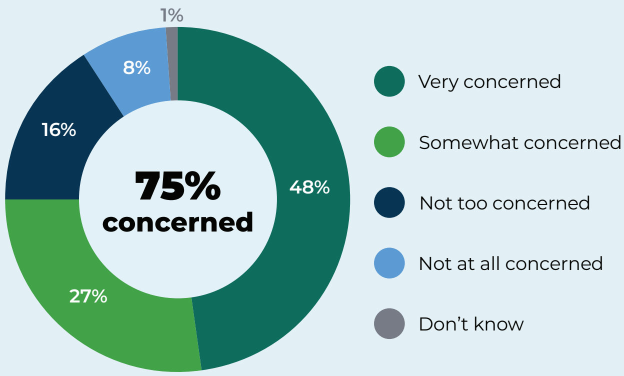


Figure 41: Two-thirds of Americans are concerned about the rising cost of getting assistance with everyday tasks.

To what extent are you concerned about rising costs in the following areas during your retirement: The cost of getting assistance such as cleaning, cooking and driving.

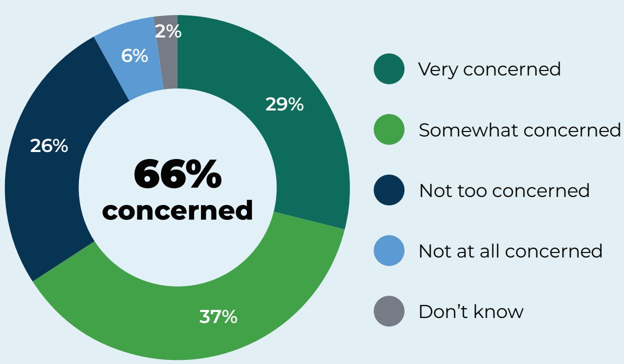
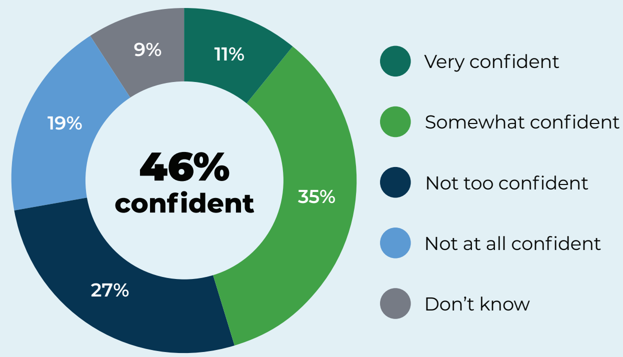


Figure 42: Less than half of Americans are confident they can pay for long-term care.

How confident are you [and your spouse/partner]that you would be able to pay for a potential long-term care need at some point in [your/their] lifetime.



When it comes to families paying for their possible LTC needs, Americans are split regarding confidence in their ability to pay. Forty-six percent are confident, the same number are not confident, and nine percent don't know (**Figure 42**).

When it comes to Americans knowing someone with LTC needs, most Americans have someone in their lives touched by this need (**Figure 43**). Among those who know someone who has experienced a LTC need, paying for those services has been challenging for 71 percent (**Figure 44**).

Figure 43: Most Americans say someone in their life has needed long-term care.

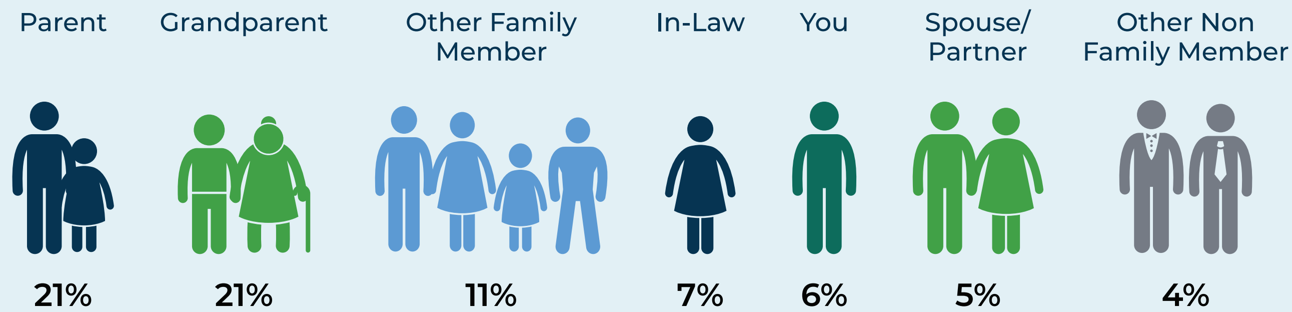
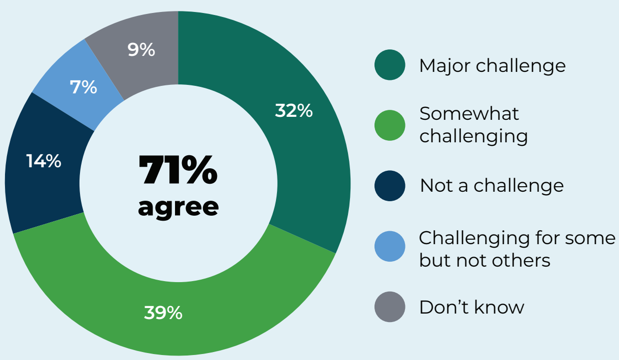


Figure 44: For those who have seen a long-term care need, nearly three-fourths say paying for long-term has been financially challenging.

Thinking about the people in your life who have needed long-term care, to what extent has paying for that care been challenging financially?



CONCLUSION

During the past several decades, there have been dramatic changes to the U.S. retirement system that have destabilized retirement for large portions of the U.S. workforce. Today, far too many Americans lack retirement plans through their employers. And for those workers who do have retirement accounts, the savings levels are largely inadequate except for a minority of those with the highest income.

Additionally, Social Security replaces less income than it did in the past. Americans also are dealing with rising costs in retirement, including housing, healthcare, and long-term care costs. And in recent years, inflation across the economy has been a problem – from food to gas prices.

The cumulative result is that today, most Americans are not on track for a secure retirement. Against this environment, NIRS regularly polls Americans on a national basis to assess their views on key retirement issues. This polling research finds:

- **Americans express strong support for pensions.** More than three-fourths of Americans have a favorable view of pensions, while 77 percent agree that the disappearance of pensions makes it harder to achieve the American Dream. Eighty-three percent of Americans say that all workers should have a pension so they can be independent and self-reliant in retirement.

- **High retirement anxiety continues among Americans.** When asked if the nation faces a retirement crisis, 79 percent Americans agree there indeed is a retirement crisis, up from 67 percent in 2020. More than half of Americans (55 percent) are concerned that they cannot achieve financial security in retirement. When it comes to inflation, 73 percent of respondents said recent inflation has them more concerned about retirement.

- **Americans want policy leaders to give their retirement concerns a higher priority.** The vast majority of Americans (87 percent) say leaders in Washington don't understand how hard it is for workers to save for retirement, up from 76 percent in 2020. Also, 86 percent say Washington leaders need to focus more on retirement and give it a higher priority on the policy agenda, again up from 2020 (76 percent). Most Americans (84 percent) say government should make it easier to offer pensions to their workers, up from 76 percent in 2020.

- **Americans want action now to safeguard Social Security.** Eighty-seven percent of Americans say Congress should act now to shore up Social Security funding rather than waiting another ten years. Also, 87 percent say the program must remain a priority no matter the state of federal budget deficits. When it comes to expanding Social Security, slightly more than half of Americans (52 percent) agree with this concept.

- **Americans are worried about rising long-term care costs in retirement.** Eighty-seven percent are concerned generally about rising costs, while 80 percent are worried about the rising cost of long-term nursing care. A large share of Americans (66 percent) are worried about rising healthcare costs in retirement, 75 percent are concerned about rising housing costs in retirement, and 66 percent are worried about increasing costs to get help with everyday chores like cleaning and cooking.

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"I need to win a lottery to be comfortable with my future retirement fund. I have nothing saved so it's looking like I'll be working in retirement."

METHODOLOGY

Conducted by Greenwald Research, information for this study was collected from online interviews between October 10-25, 2023. A total of 1208 individuals aged 25 and older completed the survey. The final data were weighted by age, gender, and income to reflect the demographics of Americans aged 25 and older. The sample was selected using Dynata, an online sample provider. Tabulations in some of the charts may not add up to 100, due to rounding.

NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"When you lose your husband or wife, your sense of financial stability goes out the window. You live from month to month on a little salary. It's a tough go."

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The National Institute on Retirement Security is a non-profit research and education organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole.

Our Vision

Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

- employers can offer affordable, high quality retirement benefits that help them achieve their human resources goals;
- employees can count on a secure source of retirement income that enables them to maintain a decent living standard after a lifetime of work; and
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- High-quality research that informs the public debate on retirement policy. The research program focuses on the role and value of defined benefit pension plans for employers, employees, and the public at large. We also conduct research on policy approaches and other innovative strategies to expand broad based retirement security.
- Education programs that disseminate our research findings broadly. NIRS disseminates its research findings to the public, policy makers, and the media by distributing reports, conducting briefings, and participating in conferences and other public forums.
- Outreach to partners and key stakeholders. By building partnerships with other experts in the field of retirement research and with stakeholders that support retirement security, we leverage the impact of our research and education efforts. Our outreach activities also improve the capacity of government agencies, non-profits, the private sector, and others working to promote and expand retirement security.

The National Institute on Retirement Security is a non-profit, non-partisan organization established to contribute to informed policy making by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole. NIRS works to fulfill this mission through research, education and outreach programs that are national in scope.

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1612 K Street, N.W., Suite 500 | Washington, DC 20006
202-457-8190 | www.nirsonline.org
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