



Government market update

General retirement plan trends

- 57% of state and local government employees, including K-12 staff, expect to retire later than they would like.¹
- 72% of full-time state and local workers believe that a traditional pension or cash balance plan will be a major source of retirement income;¹ however, only 32% of workers who leave state and local employment each year claim an immediate benefit.²
- Pensions and post-employment healthcare benefits are expected to be the subject of restructuring efforts in many states and communities, with several state and local legislatures reviewing hybrid DB/DC or core DC pension options.³

Government retirement plan trends

- Around two-thirds (68%) of government organizations have a DB plan in addition to a DC plan. Of those that do offer a DB plan:
 - 59.3% offer a DB plan open to all employees.
 - 8.7% have frozen their DB plan.
 - 7.7% have a soft freeze (no new participants but benefit accruals continue for plan participants).
 - 1.0% have a hard freeze (no new participants and benefit accruals have stopped for existing participants).⁴
- Government retirement plans will likely face ongoing challenges as a result of lower revenues, increasing budget deficits, and decreasing federal spending.
- Of those who retire, most households with state and local employment end up with replacement rates that, while on average higher than those in the private sector, are well below the 80% estimated as needed to maintain preretirement living standards.⁵
- Compared with the 403(b) population, 457(b) government plan participants tend to be disproportionately male (63% vs. 55%), younger (81% younger than 50 vs. 68%) and expect to contribute a lower percentage of salary to their DC plan.⁶

Public K-12 retirement plan trends

- Consortiums among public K-12 school districts are a growing trend as school administrators and other groups come together to leverage economies of scale with the objective of providing better retirement outcomes for teachers, administrators and staff.⁷
- K-12 workers are one of the fastest growing groups of personnel in state and local governments.⁸
- Only 20% of K-12 employees have spent a significant time considering how they will manage their savings in retirement and draw income from it.¹
- Participation rates in 403(b) plans in the public K-12 segment are lower than in other segments of the NFP market, averaging only 30%, with lower participation attributed to DB plan coverage for K-12 staff.⁹



We offer:

- Streamlined administration and recordkeeping services
- Full fiduciary and compliance services
- Expansive investment product offerings
- Comprehensive employee services
- Dedicated client service
- Streamlined implementation process

TIAA-CREF: Government and K-12 know-how

TIAA-CREF is committed to helping you provide the best retirement and savings plans for your clients, as well as leading investment products for investment-only platforms. The [TIAA-CREF Consultant Relations](#) team is here to work with you on retirement plan administration and open-architecture investment menus and to provide TIAA-CREF's perspective on investments, industry trends and regulatory issues.

TIAA-CREF has a unique business and service model, one that offers one of the best total values in the marketplace for governments and public K-12 school districts organizations offering hybrid DB/DC, core DC, supplemental 457(b), 403(b), 401(a), and retiree health retirement programs. We manage more than \$150 billion in assets for our public sector clients - more than one-third of all assets in the public sector marketplace overall¹⁰ - and we are the leader in the combined public and private K-12 market.¹¹

TIAA-CREF resources

Our expansive resources help you help your clients in the government market. We invite you to download and share the following thought leadership pieces. For additional resources please visit our Financial Professional page at [know-how](#).



Advice: A practical, prudent approach: Setting a course for retirement security



Lifetime income in a defined contribution plan: A fiduciary approach



The Hybrid DB/DC plan model: An effective approach for government pension providers



Supplemental 457(b) plan guide: A quick reference for government plan sponsors



Whitepaper: How improving 403(b) administrative oversight can improve educators, retirement outcomes



Retirement confidence among public sector employees

¹ Center for State and Local Government Excellence and TIAA-CREF Institute, 2012 Retirement Confidence Survey of the State and Local Government Workforce.

² Trustees of Boston College, Center for Retirement Research, How prepared are state and local workers for retirement, October 2011

³ Moody's Investment Service, Outlook for U.S. Local Governments Remains Negative in 2012, February 1, 2012

⁴ PLANSPONSOR 2012 DC Survey (Combined Government/Public Works Industry Report) ©2012 Asset International, Inc.

⁵ Trustees of Boston College, Center for Retirement Research, How prepared are state and local workers for retirement, October 2011

⁶ Brightwork Partners, November 2012, Voice of the Defined Contribution Participant

⁷ RRI, What's New in the 403(b) Profile Release, April 2011

⁸ U.S. Census Bureau, Labor Force, Employment & Earnings: Employment Projections, Employment Projections by Industry.

⁹ Spectrem Group, 2007 & 2010, Not-for-Profit Sector Public K-12 Defined Contribution Plans.

¹⁰ Spectrem Group, Retirement Market Insights 2012, based on total public sector DC and 457 plan assets of \$493B.

¹¹ LIMRA, Not-for-Profit Market Survey, third-quarter 2012 results. Based on a survey of 29 companies; TIAA-CREF assets under management by market segment estimated; segment breakdown based on approximately 20 companies representing nearly 98% of the total reported full-service assets. Market share ranking does not reflect current investment performance.

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