TIAA-CREF Retirement Income Index Guide
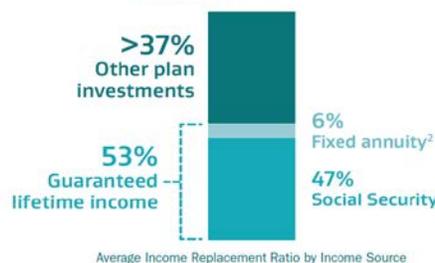
The TIAA-CREF Retirement Income Index (RII)

The RII is the result of our study that looked across our clients' participant data and reported on the overall retirement preparedness of nonprofit employees based on the aggregate income replacement ratio.

It is based on real data from over a half million participants and 300 TIAA-CREF plans and uses the same methodology as our Plan Outcome Assessment client service and individual Advice offer.

What are the overall results of the RII study?

We estimate the average nonprofit participant is on track to replace more than **90%** of pre-retirement income in retirement[1]

>37% Other plan investments

53% Guaranteed lifetime income

6% Fixed annuity[2]

47% Social Security

Average Income Replacement Ratio by Income Source

Average annual retirement income[3]	$47,616
Average account balance	$177,829
Average contribution rate Employer and Employee	14.1%
Average age	48
Average tenure	11.6 years

Using the participant's current salary, age, contribution rate (employer/employee), asset allocation, and an assumed retirement age of 67, TIAA-CREF leverages the advice engine from Ibbotson Associates, Inc., an independent expert retained by TIAA-CREF, to calculate the projected retirement income stream (including estimated Social Security benefits) in current dollars as a percentage of current salaries using Monte Carlo analysis (500 total simulations).

The results indicate the participant's 70% probability of achieving the retirement goal. A lower probability of success is associated with better (and less likely) estimated income; a higher probability is associated with lower estimated income. Please note the median income replacement ratio based on the analysis above is approximately 88%.

What are the main components of these results?

On average, we estimate that nonprofit participants are on track to replace more than 90% of their income at retirement. We believe these results are driven by:

- Strong plan fundamentals and client's prioritizing employee retirement readiness
  - For almost 100 years, we have partnered with our clients to build a sustainable retirement system that emphasizes helping employees save and invest to generate retirement income they can't outlive

[1]Source: The TIAA-CREF Retirement Income Index data is as of 12/31/2014 and it is based on 501,639 actively contributing participants from 303 TIAA-CREF record-kept plans. [2]Percent of income estimated to be replaced by TIAA Traditional. [3]After-tax retirement income.

Why did we do the RII study?

We performed this study to better understand how plan management, plan design, investment solutions and employee engagement activities impact plan outcomes and employee retirement readiness.

In addition, the study allows us to proactively identify trends across the broader nonprofit market and measure how outside factors like market volatility and Social Security impact employee retirement readiness.

- The >90% reflects the success of this partnership – high average account balances ($177k) and savings rates (14%) supported by strong employer contributions
- For younger participants, especially those under 40 with modest salaries, Social Security is providing strong income replacement support.

- Focus on lifetime income
  - The primary goal of a retirement plan is to help employees replace the income they earned when working in retirement
  - Guaranteed lifetime income including Social Security and TIAA Traditional provide 53% income replacement

- An employee engagement model that helps our clients drive measurable progress
  - Use of mandatory employee savings features, employee access to Advice for everyone, employee outreach and education

How do we want our clients to use the results of the RII study?

Our goal is to drive better outcomes for our clients and their employees. We believe success is measured in the ability of an employee to replace an adequate amount of their income in retirement to maintain their desired lifestyle. A big part of TIAA-CREF's planning process with clients begins with a Plan Outcome Assessment (POA).

If a client hasn't already done so, we hope that seeing these results encourages them to request their customized POA to measure the degree to which their participants are on track to retire with sufficient income – as illustrated by the retirement income replacement ratio. They can also use their POA report to set out action steps they can take to help strengthen participant engagement, plan design, investments and plan management practices as well as benchmark how their plan is doing compared to other similar plans.

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Please note: an individual's income replacement ratio will vary from the study's estimated rate based on a number of unique individual factors. Study results are not intended to project an individual's actual ratio.The Ibbotson tool's advice is based on statistical projections of the likelihood that an individual will achieve their retirement goals. The projections rely on financial and economic assumptions of historical rates of return of various asset classes that may not reoccur in the future, volatility measures and other facts, as well as information the individual provides. IMPORTANT: Projections, and other information generated through the Retirement Income Index and the Ibbotson tool regarding the likelihood of various investment outcomes, are hypothetical, do not reflect actual investment results, and are not a guarantee of future results. Results may vary with each use and over time.