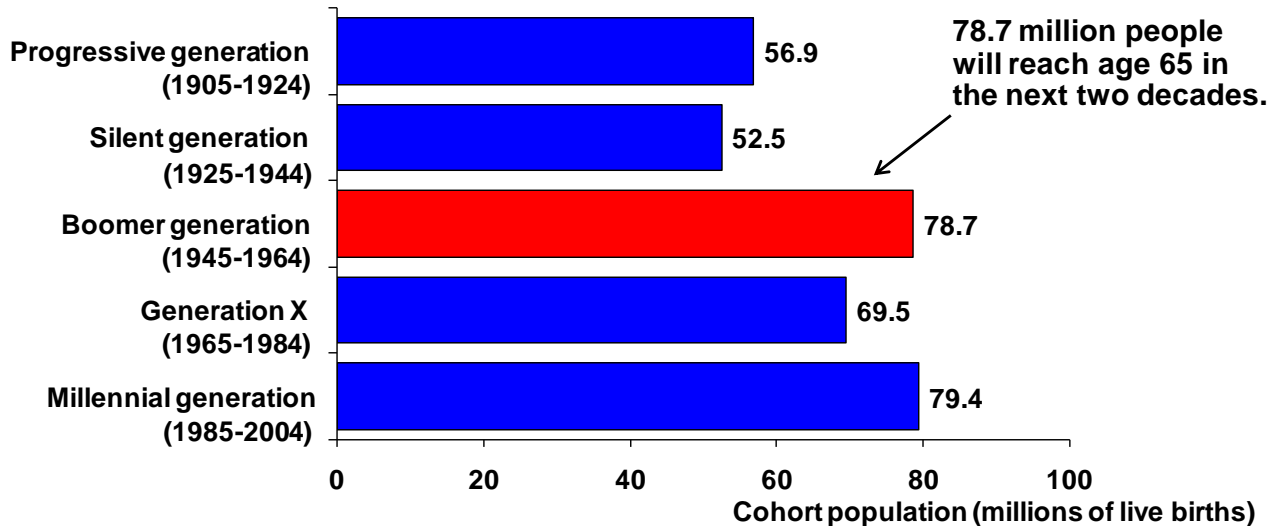


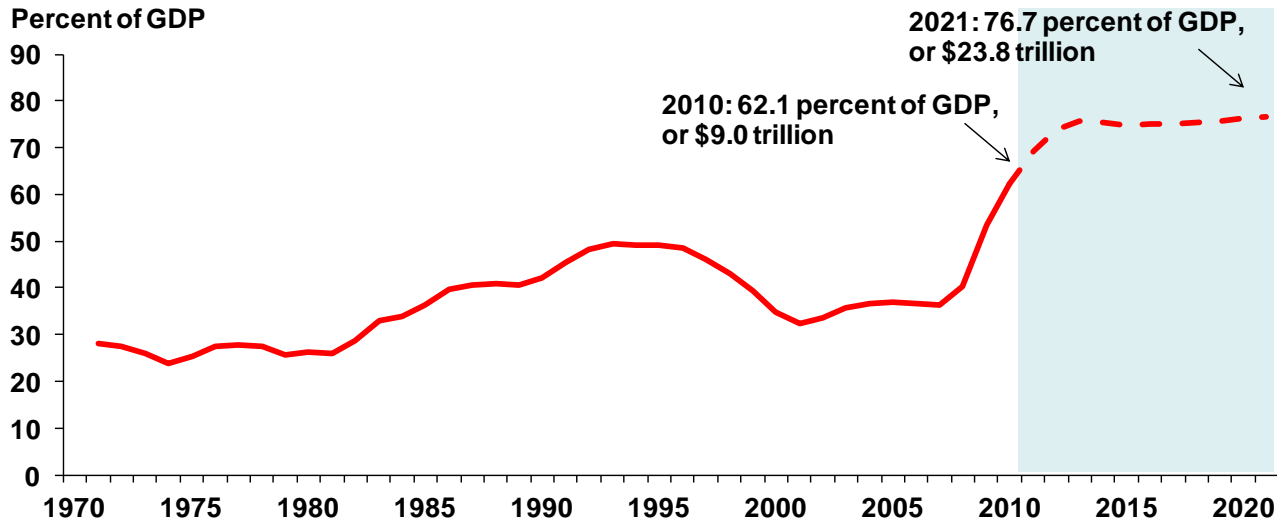
# Baby boomers approaching retirement



Source: McKinsey Global Institute, June 2008.



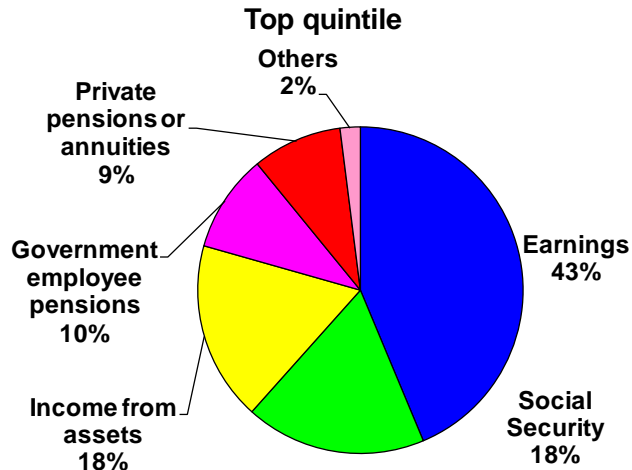
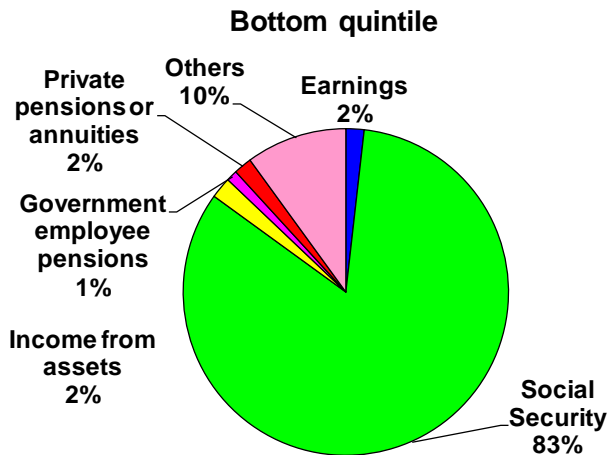
# Debt held by public



Source: Congressional Budget Office (CBO).

# Income resources of people 65 and older

*Social Security is the bedrock of retirement income for low-income earners*



Sources: Income of the Population 55 or Older in 2008.

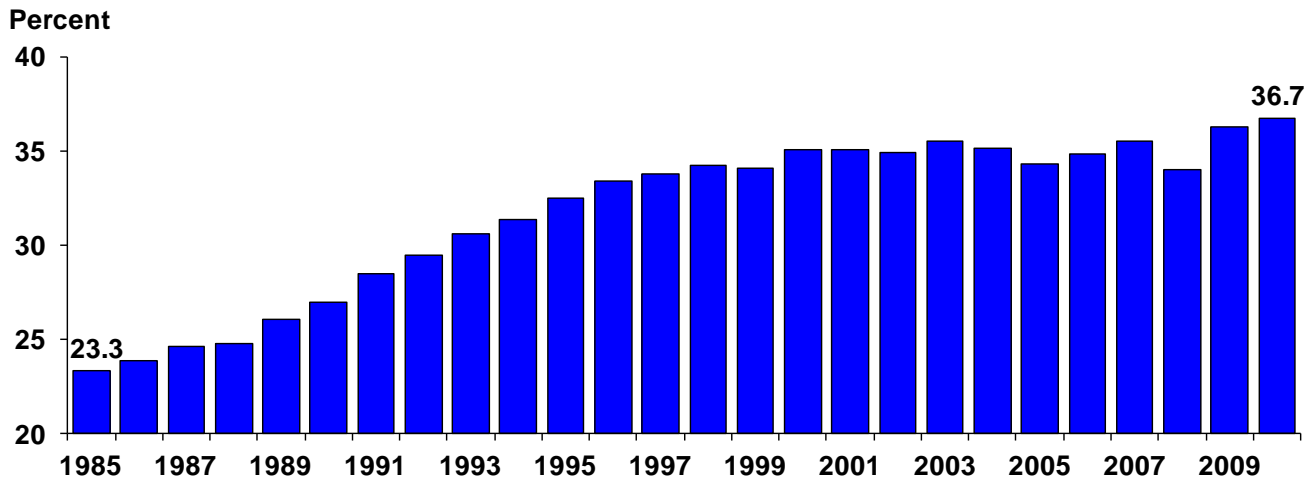
# Important years for Social Security

The 2010 Social Security trust fund report:

- **2010:** Social Security spending is expected to exceed payroll tax collection for the first time since 1983.
- **2037:**
  - The Social Security trust fund runs out.

# Relying more on private savings for retirement

Retirement assets/Financial assets



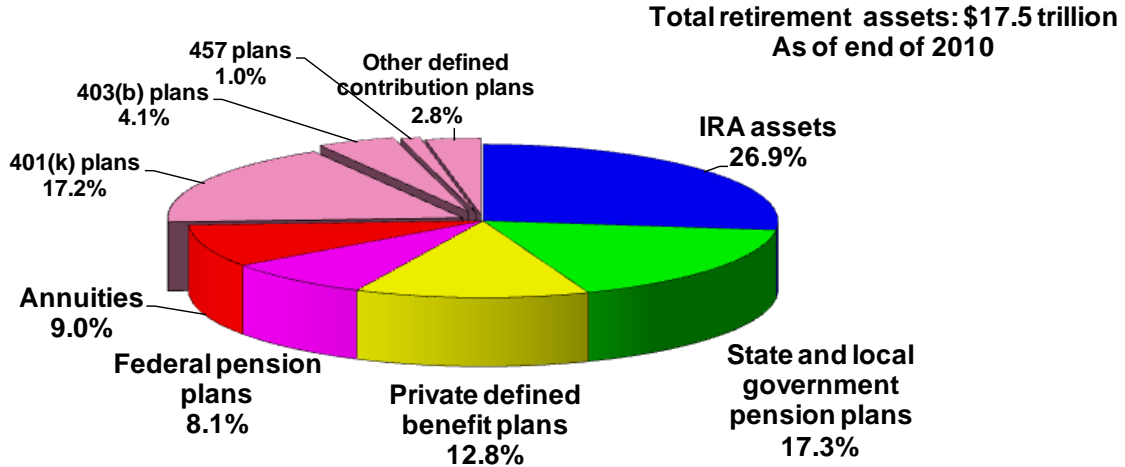
Note: Retirement assets include IRAs, annuities, defined contribution plans, private defined benefit plans, state and local pension plans, and federal pension plans.  
 Source: Investment Company Institute.

# The U.S. retirement market by asset types



MILKEN INSTITUTE

*Dominated by IRA and employer-sponsored pension plans*



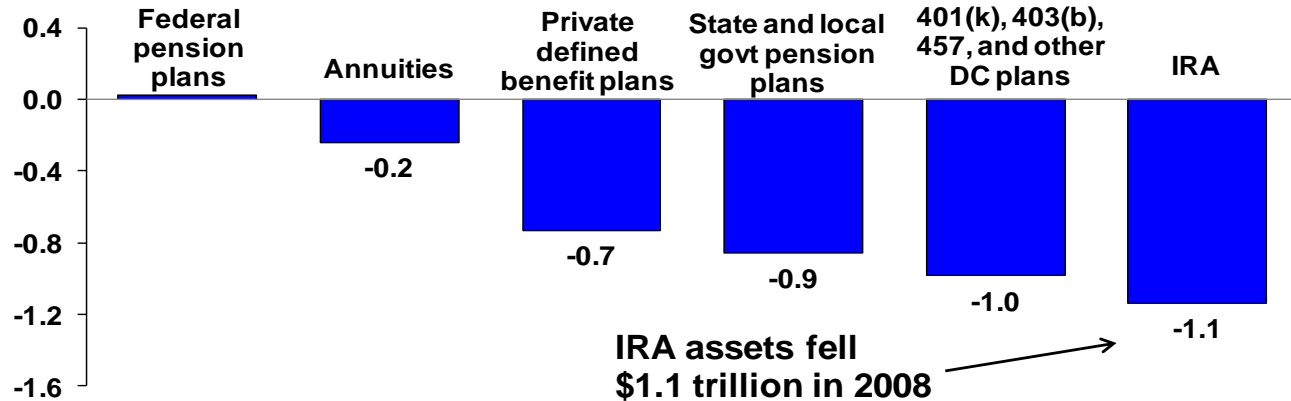
Source: Investment Company Institute.

# Massive losses in retirement savings in the 2008 market crash



## Change in retirement assets in 2008

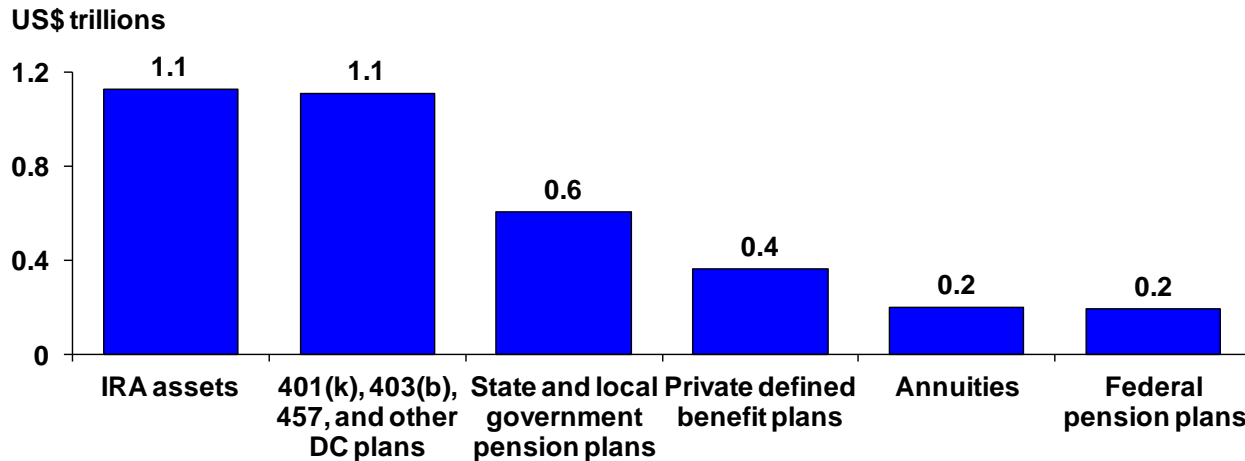
US\$ trillions



Sources: U.S. Census Bureau and Investment Company Institute.

# Retirement assets rebounded after 2009

Change in retirement assets in 2009 and 2010



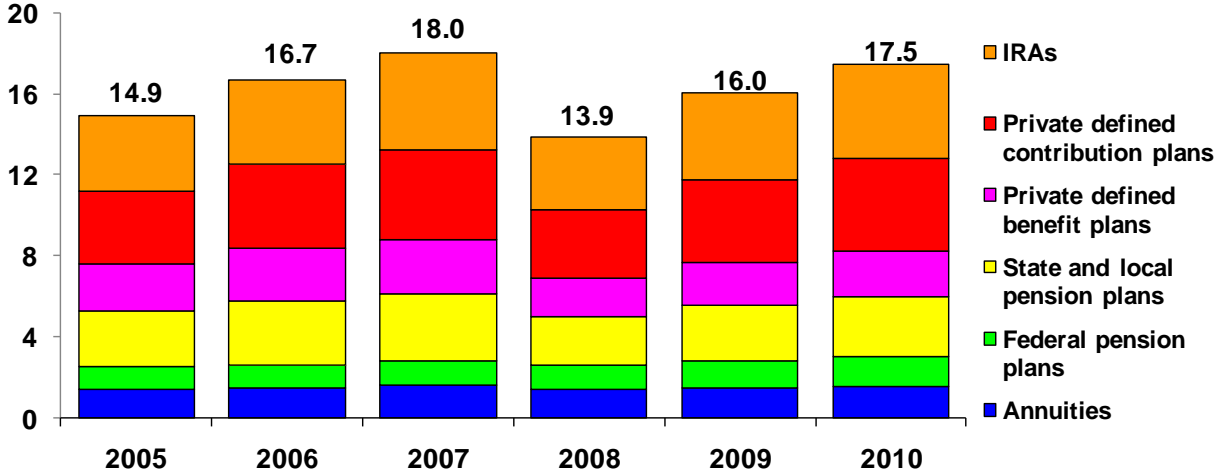
Sources: U.S. Census Bureau and Investment Company Institute.





# U.S. retirement assets still below 2007 peak

US\$ trillions

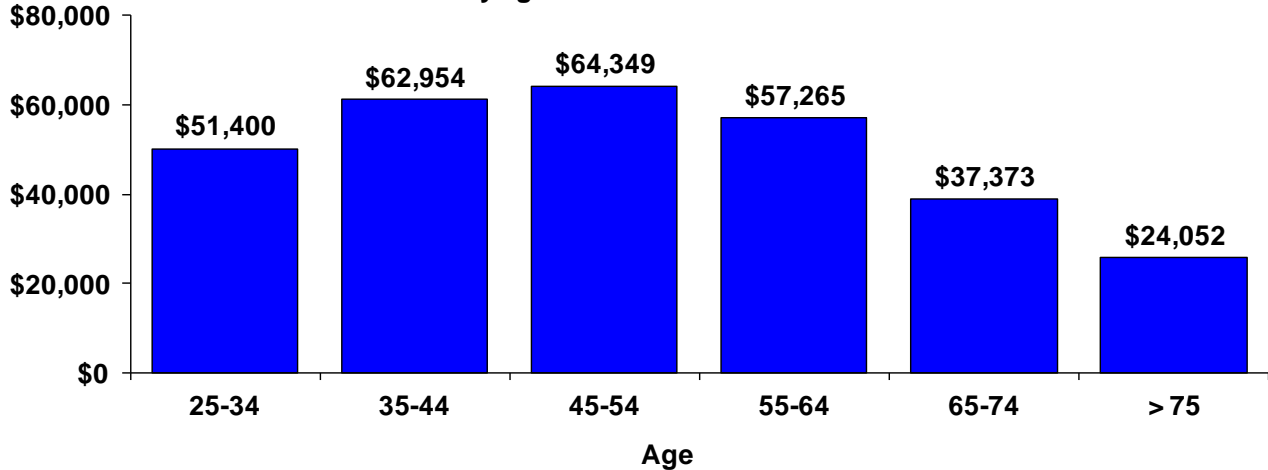


Source: Investment Company Institute.

# Most elderly cannot maintain pre-retirement standard of living in retirement



Median household income in 2009  
by age of head of household



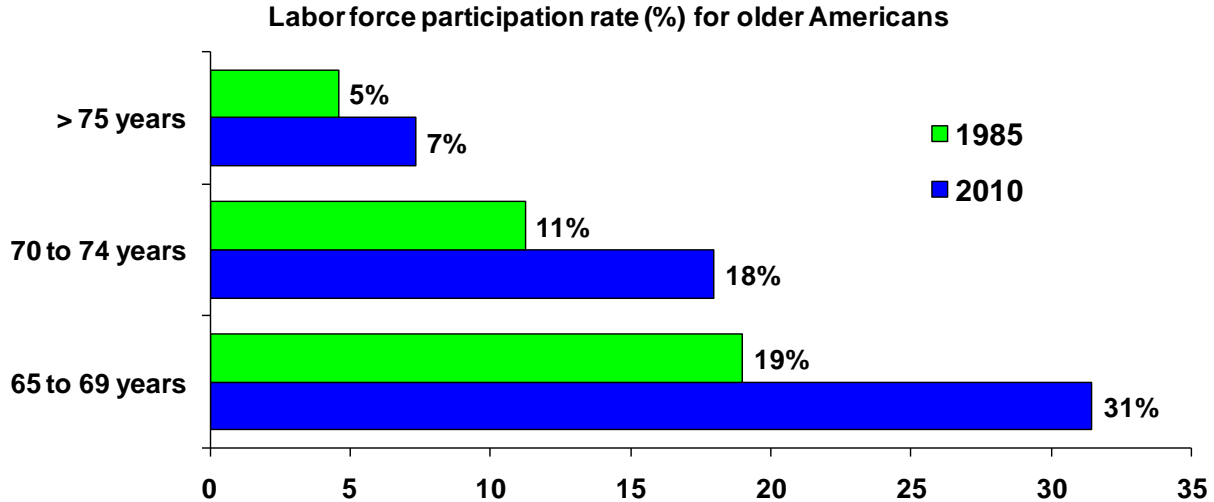
Source: U.S. Census Bureau.

# Older workers staying longer in the work force



MILKEN INSTITUTE

*Largely due to massive losses in retirement wealth*

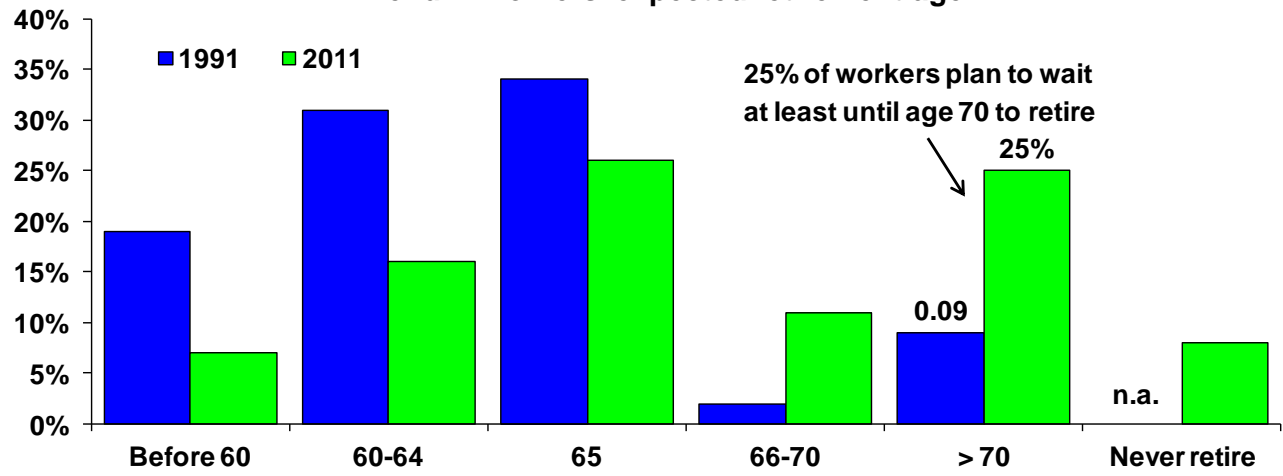


Source: The U.S. Bureau of Labor Statistics.



# Expected retirement age is substantially higher

### Trend in workers' expected retirement age

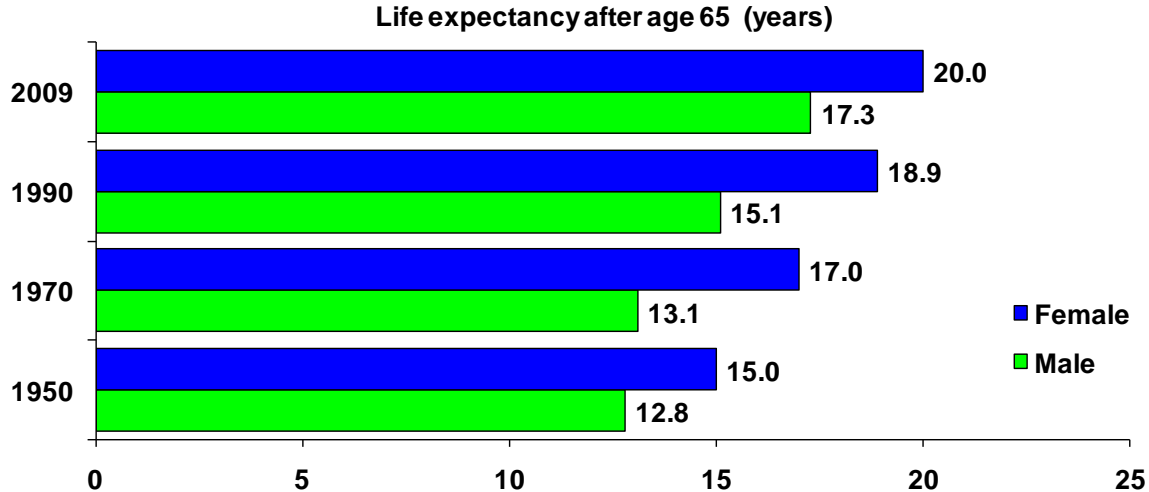


Note: The data are based on workers who provided a response to the 2011 Retirement Confidence Surveys and exclude the value of their primary home and any defined benefit plans.  
Source: Employment Benefit Research Institute.

# Longer life expectancy

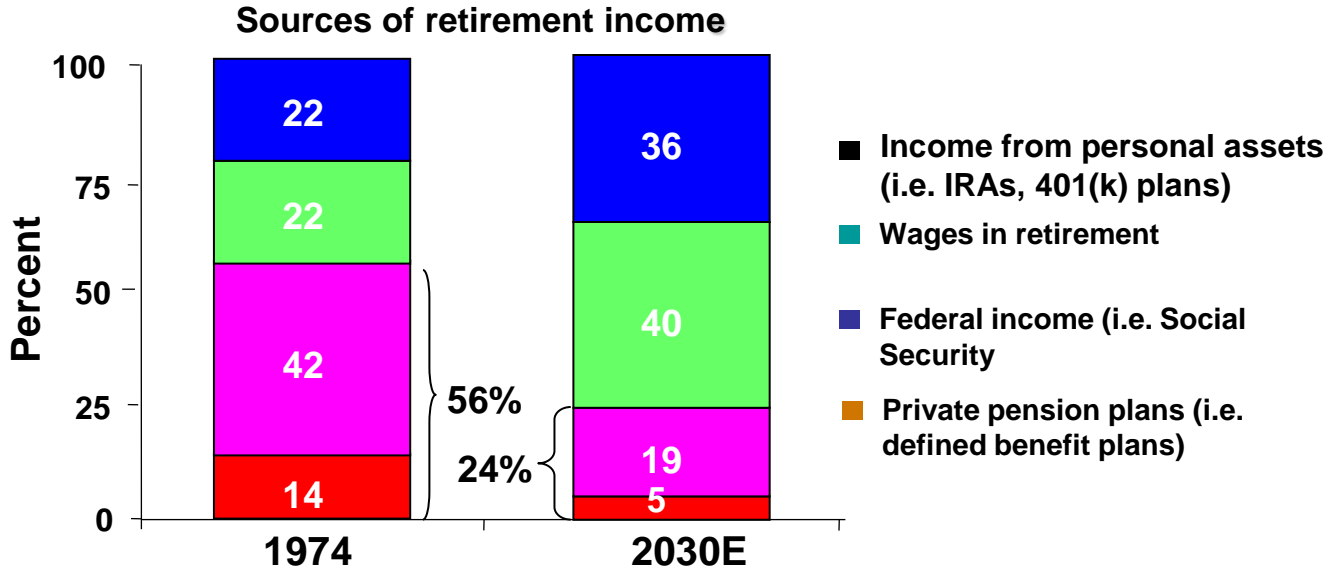


*Americans now live 17-20 years after age 65, vs. 13-15 years in 1940s*



Source: National Vital Statistics Report, Centers for Disease Control and Prevention, April 2010.

# Individuals are facing “New Era of Personal Responsibility”



Source: EBRI and Cerulli Associates.



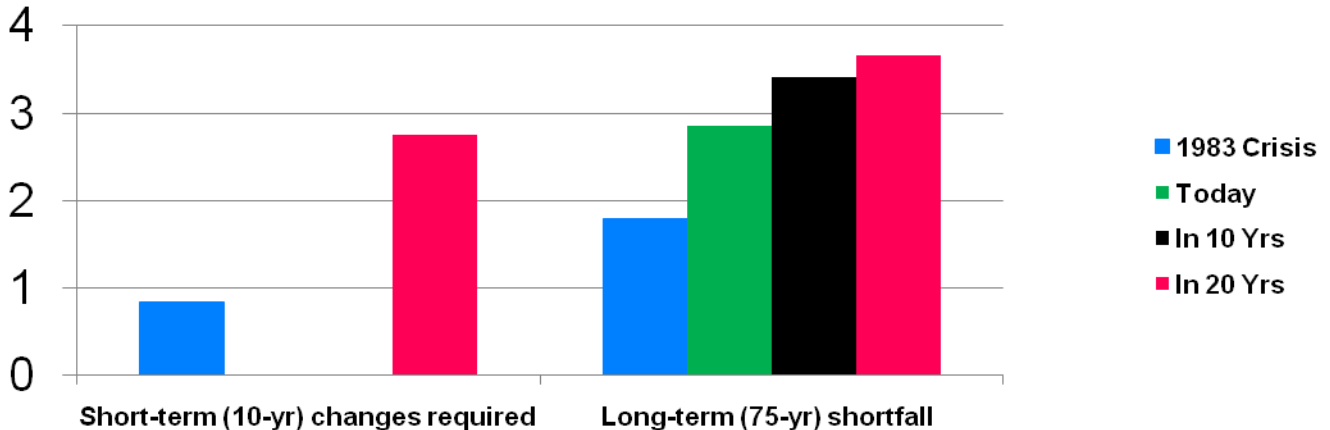
# Charles Blahous slides

# Social Security's shortfall may exceed our capacity to repair without abandoning self-financing



MILKEN INSTITUTE

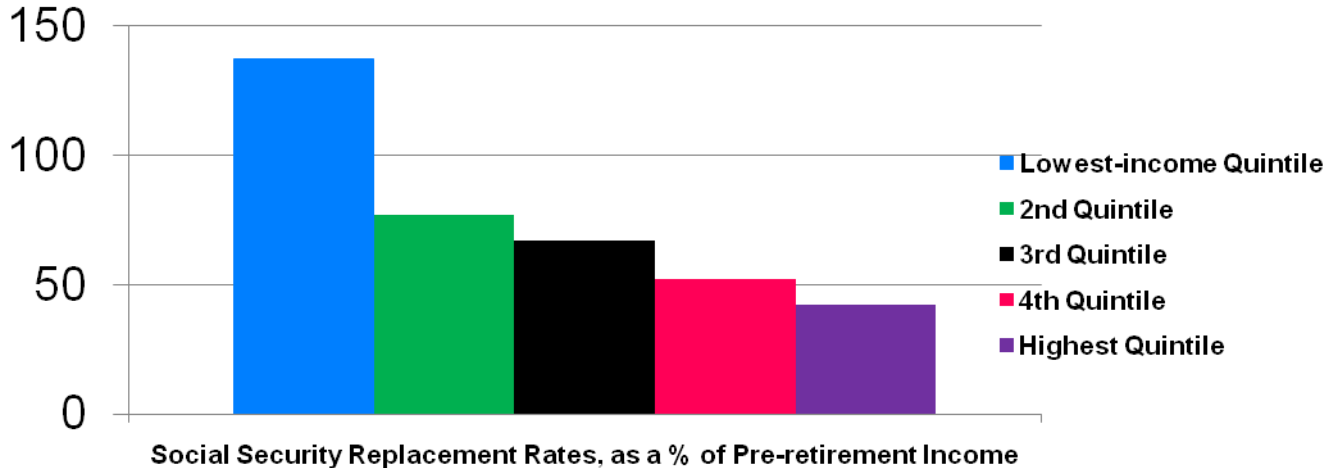
% of Worker Wages



Source: Annual Social Security Trustees' Reports (1983 Methodology)



# Low-income individuals may be behaving rationally in not saving more for retirement



Source: Biggs and Springstead.



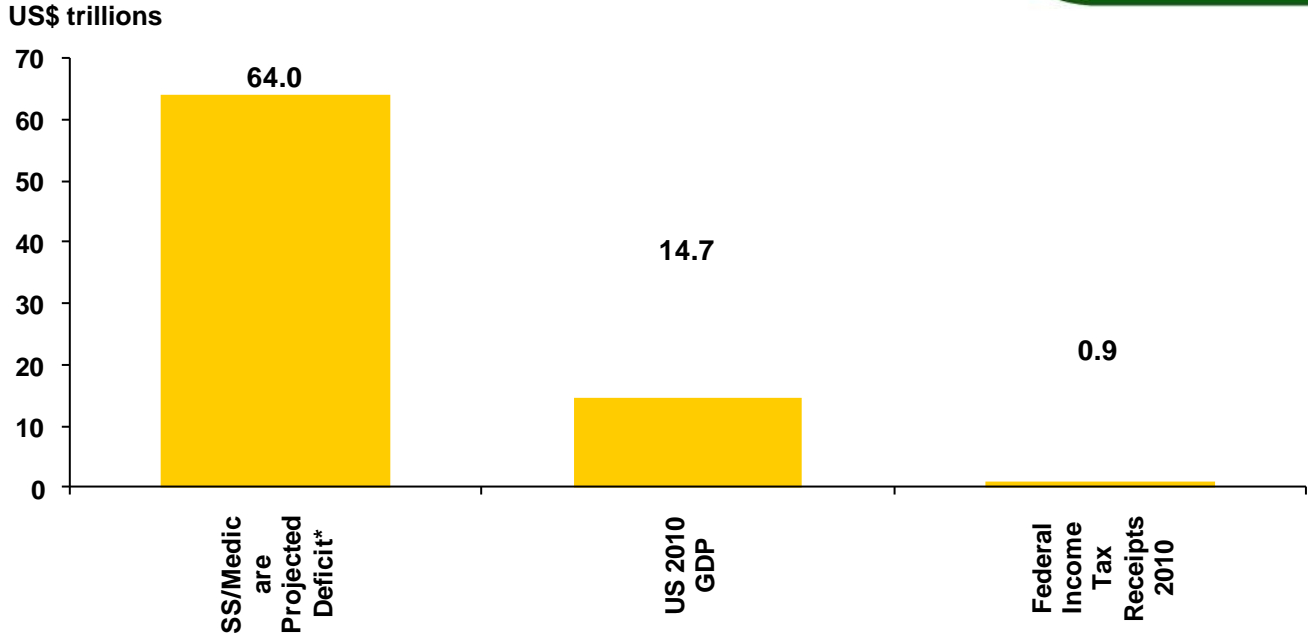
## **Robert Grady slides**



## Components of the FY 2010 budget

• Entitlements	\$1.925T	• 55%
• Interest	<u>\$ 202b</u>	• <u>6%</u>
<i>Subtotal:</i>	<i>\$2.127T</i>	• 61%
• Defense discretionary	\$ 692b	• 20%
• Domestic discretionary	<u>\$ 666b</u>	• <u>19%</u>
Total Spending:	\$3.485T	• 100%

# The Social Security/Medicare deficit



\* = in constant 2010 dollars

Source: CBO



## Pension reform: New Jersey plan

- NJ Plan: \$72.6 billion in assets
- Projected current deficit: \$54 billion
- Christie proposal:
  - Eliminate COLAs (CO, SD, MN reduced)
  - Raise retirement age to 65 years old
    - For some employees it had been as low as 55
  - Raise time requirement for early retirement at 65% from 25 years of service to 30 years of service
  - Increase employee contribution to 8.5%
  - Change calculation from N/55 to N/65 – roll back earlier 9% unfunded increase in benefits
  - Last 3 years (not one year) average salary to calculate benefit
  - Cut assumed rate of return from 8.25% to 7.5%
- Deficit in 30 years without reform: \$183 billion
- Deficit in 30 years with reform: \$22 billion