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Empowering the Data Driven Organization®

Retirement Analytics

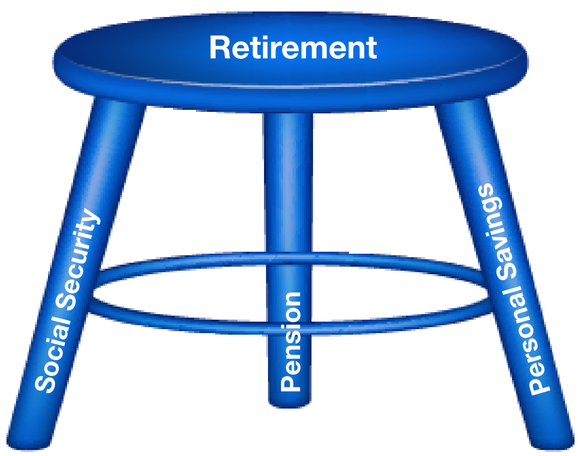
Retirement readiness is the ability to be financially prepared to retire. Many forces are converging to escalate this lack of retirement readiness for employees, creating a previously unknown and unquantified liability for employers.

The workforce is staying employed longer than it ever has, causing us to rethink how we look at retirement.

38%

of workers expect to retire at age 70 or beyond.

The proverbial three-legged stool was the symbol for retirement income. The legs were employer benefits, Social Security, and personal savings. Each played a relatively equal role in retirement planning.



Unfortunately, through the years, each one of those legs deteriorated.

Employer Benefits

Many defined benefit plans are now defined contribution plans. The change has shifted the financial risk from employer to employees, and has reduced liability from employers' balance sheets.

Social Security

The Social Security Administration reports that if no changes are made to taxes or benefits, scheduled benefits would be paid out at 75% in as soon as 15 years.

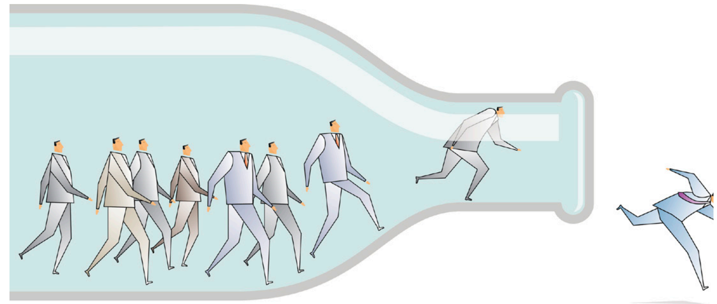
Personal Savings

People are unable to save money, in large part because they now pay a greater share of their healthcare expenses. These stats paint a frightening picture of the state of personal savings:

- The median retirement account balance is only $2,500 for all working age households, and $14,500 for near-retirement households.
  (Nari Rhee and Ilana Boivie, "The Continuing Retirement Savings Crisis," National Institute on Retirement Security research report, March 2015)
- 64% of Americans can't cover a $1,000 emergency without borrowing money.
  (MarketWatch 2015)

Increased life expectancy has also impacted the ability to retire. Many people are financially unprepared to live so long after retirement age.

These factors are causing the stool to grow a 4th leg—income from working into or through retirement.



This is creating a bottleneck of older employees who aren't ready to retire, adversely impacting what is referred to as an employer's demographic trend.

It's critical for employers to successfully manage their demographic trend to understand future risk. Retirement analytics helps quantify employees' lack of retirement readiness, giving employers a telling view of their demographic trend.

How to Quantify Your Potential Liability

- Innovu integrates company-specific data regarding each employee's medical and prescription drug costs, retirement contributions, age, and income (other human capital data can be included, if available).
- MassMutual provides Innovu with a Retirement Readiness score for each de-identified employee.
- Innovu quantifies the employer's unfunded liability specific to delayed retirement.

How much is lack of retirement readiness impacting your unfunded liability?

Call Innovu to learn more.
412.212.7520

How One Client is Using Retirement Analytics Insight

$17 million

The 5-year net present value of unfunded liability related to income, medical, and Rx costs resulting from retirement delays for a client with 2,800 employees.

The company and its trusted broker are evaluating multiple strategies to mitigate its human capital risk.

- **HR** – Each aspect of its HR strategy is under review, including hiring, training, retention, absence, retirement planning, and employment status options.
- **Benefits** – The company is considering various benefit plan design changes, including benefits for part-time employees.
- **Retirement** – Employer match and profit-sharing incentives are being re-directed to support financial wellness initiatives, such as credit consolidation and rainy day funds.
- **Financial** – Cost/benefit scenarios are being conducted to assess the impact on retention, training, retirement, benefits, and other operating expenses.
- **C-suite Alignment** – The company is building an integrated HR/finance plan based on quantified and measurable risk metrics.

