



July 2012

# 2012 Retirement Confidence Survey of the State and Local Government Workforce

A joint research project of the Center for State and Local Government Excellence and the TIAA-CREF Institute

## Spotlight

### How Confident Are Savers?

Among full-time employees who have saved for retirement, 30% are not confident that they are saving the right amount and 18% are not confident that they are investing appropriately.

Among savers, 29% are very confident that they will choose the best way to draw income from savings during retirement. Nonetheless, only 14% of savers are very confident that they will not outlive their savings.

Among those who expect to annuitize some of their savings, only 13% are very confident that they will not outlive their savings when one would expect this figure to be near 100%.

## Key Survey Findings

### Confidence:

- Nineteen percent of full-time state and local government employees are very confident that they will have enough money for a comfortable retirement, 54% are somewhat confident, and 26% are not confident.
- Twenty-two percent are very confident that they will have enough money to take care of medical expenses during retirement, and 49% are somewhat confident.
- Only one-third are confident that Medicare will continue to provide benefits of equal value to those provided today.

### Expectations:

- One-third think they will need to replace less than 60% of their preretirement income to live comfortably in retirement, while it is generally recommended that individuals plan to replace at least 70%.
- Fifty-seven percent expect to work longer than they would like, with 29% expecting to work more than five years longer.
- Seventy-two percent expect that a pension will be a major source of their retirement income; 31% expect a defined contribution plan to be a major income source and 27% expect Social Security to be a major source.

### Behavior:

- Ninety-one percent have saved for retirement and 92% of these are currently saving. Among retirement savers, one-half have not tried to determine how much they need to save for a comfortable retirement.
- Fifty-eight percent have not or have hardly planned and saved for uncovered medical expenses in retirement.
- One-half of savers have received retirement planning advice from a professional advisor within the past three years, but they often do not follow the advice.
- One-third of those advised to increase the amount saved did not change their savings rate. Eighteen percent of those receiving investment advice followed all of it.



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## Four Key Takeaways

### 1. Retirement plan coverage contributes to employee retirement confidence.

Full-time public sector workers, who enjoy near-universal access to retirement plan coverage, express greater confidence about their retirement prospects compared to the overall U.S. workforce. According to U.S. Bureau of Labor Statistics data, 99% of full-time state and local government employees have access to an employment-based retirement plan, and 94% participate in a plan. In comparison, 65% of all full-time U.S. workers participate in an employment-based retirement plan.

### 2. However, there has been and will continue to be change in the design of sponsored retirement plans in the public sector.

Budgetary pressures, evolving workforce demographics, and longer-term pension plan finance and benefit trends have led almost all state and many local governments to consider and implement various reforms of the plans they sponsor. One issue to watch going forward will be whether the changes will have an impact on retirement confidence.

### 3. Public sector employees are not immune to concerns about the sustainability of benefit levels in the Social Security and Medicare programs.

Sixty percent are not confident that the Social Security system will continue to provide benefits of equal value to those provided today, and two-thirds are not confident that Medicare will continue to provide benefits of equal value to those provided today. These findings indicate a need for public sector employees to save more in anticipation of potential benefit reductions.

### 4. Like their private sector counterparts, state and local employees could be doing more to plan and prepare for a financially secure retirement.

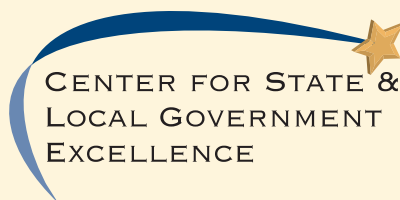
In an environment characterized by economic uncertainty, the public servants who serve society by teaching our children and keeping our streets safe, among many other important roles, can better serve themselves by more fully planning for retirement, adjusting expectations, and taking advantage of all available savings vehicles.

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1,251 individuals working in state and local government were surveyed by telephone during January and February 2012 by Mathew Greenwald & Associates. Of those surveyed, 1,151 were full-time employees and 100 were part-time; 501 were K-12 teachers; 139 were firefighters; 111 were police officers; and 500 were in other occupations. Responses were weighted to be representative of the aggregate public sector workforce.

## About the Center for State and Local Government Excellence

The Center for State and Local Government Excellence helps state and local governments become knowledgeable and competitive employers so they can attract and retain a talented and committed workforce. The Center identifies best practices and conducts research on competitive employment practices, workforce development, pensions, retiree health security, and financial planning. The Center also brings state and local leaders together with respected researchers and features the latest demographic data on the aging work force, research studies, and news on health care, recruitment, and succession planning on its website, [www.slge.org](http://www.slge.org).



## About the TIAA-CREF Institute

The TIAA-CREF Institute is a thought leader and model for knowledge-building and public engagement on lifetime financial security, retirement planning, and organizational success in higher education and the charitable and public sectors.

For more information about the TIAA-CREF Institute, visit [www.tiaa-crefinstitute.org](http://www.tiaa-crefinstitute.org)



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