

# **Retirement Planning**

A Candid Survey of Federal Employees

**Underwritten by:**



The **Federal** Long Term Care Insurance Program

# About



## **The Research Intelligence Division**

Of Government Executive Media Group



## **Dedicated to Advancing the Business of Government**

Through analysis, insight and analytical independence



## **Extension of GEMG's 40 Years of Editorial Standards & Ethical Values**

GBC studies influential decision-makers to produce intelligence-based analysis



## **Purpose and Methodology**

The Government Business Council (GBC), the research division of Government Executive Media Group, sought to assess the perceptions, attitudes and experience of federal employees regarding retirement planning and income security. The overarching goal was to explore how prepared federal employees are for retirement, identify trends in post retirement plans, and discuss the future of federal retirement.

To measure the opinions of federal managers, GBC deployed a survey to a random sample of *Government Executive* online and print subscribers from September 5 to 14, 2012. An identical open link version of the survey was also created and hosted in *Government Executive* newsletters and blogs. The pool of over 1,075 respondents includes those of GS-11 through 15 grade levels and members of the Senior Executive Service in defense and civilian agencies. Our sample is of sufficient size to yield a 95% confidence interval at a + or - 3% margin of error.



# Respondent Profile



## **Respondent Profile: Departments and Agencies Represented\***

Department of Defense (OSD, DISA, DIA, DLA, etc.)	Department of Justice
Department of the Army	Environmental Protection Agency
Department of Homeland Security	Department of Labor
Department of the Navy	Department of State
Department of Veterans Affairs	Department of Housing and Urban Development
Department of Agriculture	General Services Administration
Department of the Air Force	United States Postal Service
Department of Health and Human Services	Nuclear Regulatory Commission
Department of Treasury	Small Business Administration
Department of the Interior	Office of Personnel Management
Other independent agency (please specify below)	United States Government Accountability Office
Department of Commerce	United States Marine Corps
Department of Transportation	Executive Office of the President (including OMB)
National Aeronautics and Space Administration	United States Agency for International Development
Social Security Administration	Department of Education
Department of Energy	National Science Foundation

*\*Agencies listed in order of frequency*



**Briefings**

## Respondent Profile

- The Government Business Council, the research division of Government Executive Media Group, surveyed over 1,075 Government Executive readers from September 5 to 14, 2012. Respondents include GS11-15 grade level employees and members of the Senior Executive Service in defense and civilian agencies.
- Most of our audience is in the stage of life where retirement matters most. More than two thirds (68 percent) of respondents are GS/GM-13 or above and over half are between 55 – 64 years old.

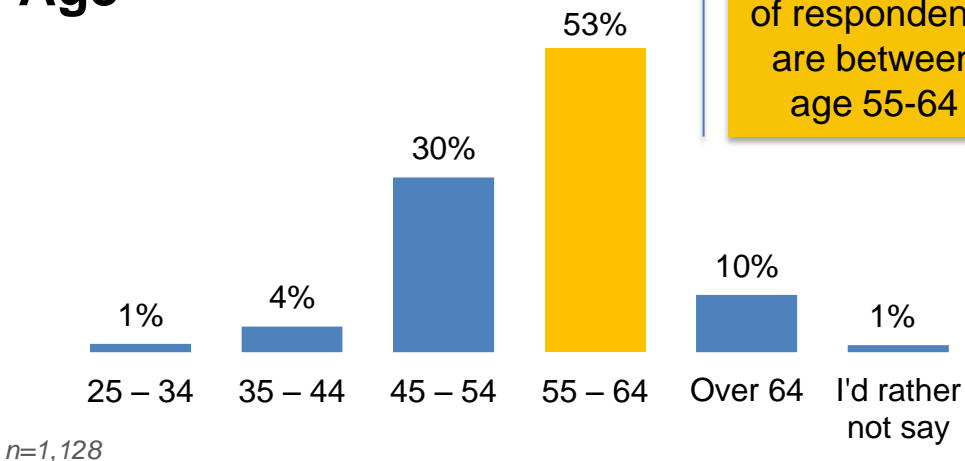
Percentage of respondents



**68%**

of respondents  
are GS/GM-13  
or above

## Age



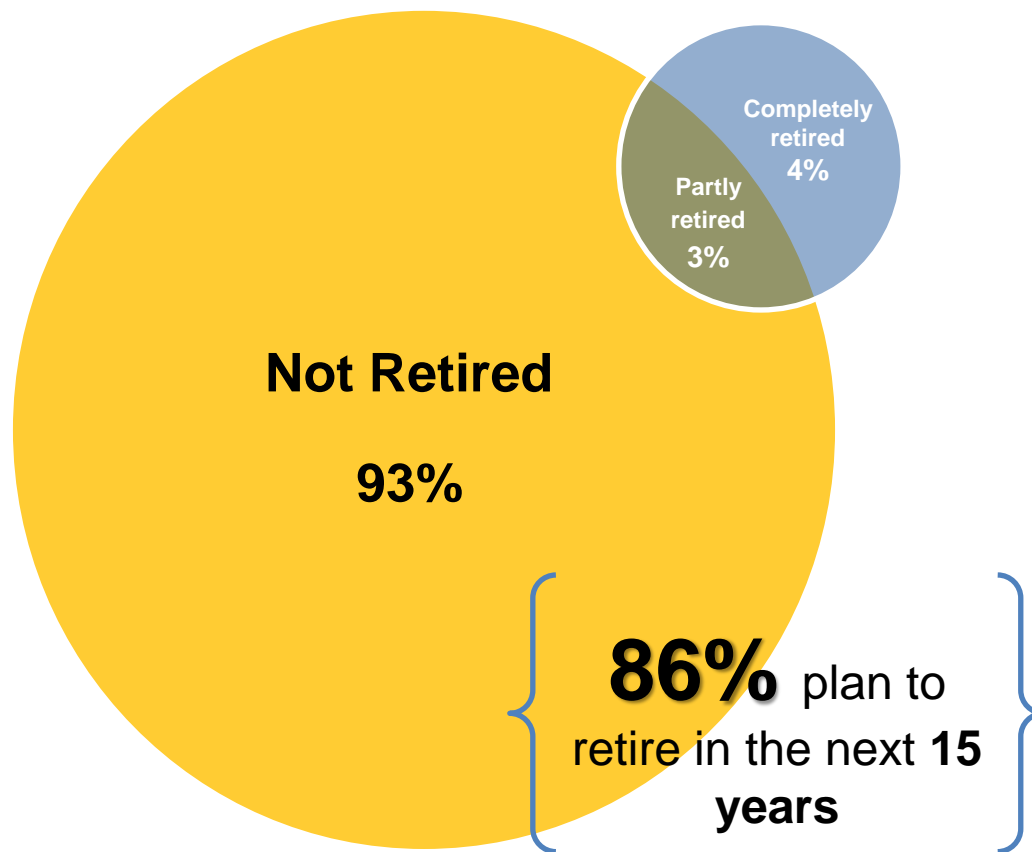
**53%**

of respondents  
are between  
age 55-64

## Most Respondents Plan to Retire in Next 15 Years

- Of the more than 1,075 federal managers surveyed, nearly all (96 percent) are still working. A full 93 percent are not at all retired, while three percent are partly retired.
- Eighty-six percent of respondents plan to retire in the next 15 years.
- The majority of our sample are close enough to retirement to make planning a necessary priority.

## Employment Status



Percentage of respondents



# Executive Summary



## **Executive Summary**

### **Under FERS, financial literacy is imperative.**

Under the Civil Service Retirement System (CSRS), as long as a federal employee worked 20 to 30 years in government, their benefits were guaranteed, no matter the length of retirement. Since 1983, the federal government has been operating under the Federal Employees Retirement System (FERS), which leaves much of the responsibility of retirement planning up to the individual. Financial literacy is essential to retirement planning under FERS.

### **Federal managers are wary of phased retirement.**

When asked about their ideal plan for retirement, only ten percent of federal managers indicate that phased retirement would be optimal. Phased retirement offers an opportunity to ease into retirement and continue to contribute to one's Thrift Savings Plan (TSP).

### **Women need to save more for retirement than men.**

All over the United States, women are more susceptible to income insecurity during retirement. Because women tend to live longer and make less income over their lifetime, they may need to save more for retirement to maintain their lifestyle.

### **Federal managers should reconsider retiring later.**

The typical person now lives longer. A federal manager spend just as long, if not longer, in retirement than during their working years. Experts recommend that federal managers reconsider their lifestyle and ideal retirement age, especially if they enjoy their positions.



# Survey Findings

## **Federal Employees Have Two Different Retirement Systems**

- Federal employees may be working under two different retirement plans, depending on when they entered the civil service. Those who entered before 1987 will receive their benefits through the CSRS system, while employees who began public service after January 1, 1987 will receive benefits under the FERS system.
- In the shift from CSRS to FERS, much of the risk previously assumed by the agency shifted over to the employee. **Financial literacy**, and the capability to act with financial knowledge, became more important.

### **Civil Service Retirement System (CSRS)**

- **Defined benefit plan – value of pension is based upon number of years of service and highest 3 years of salary**
- **Eligible after 30 years of service if age 55 or 20 years of service if age 60**
- **Better for career federal employees who plan to stay in civil service for at least 20 years**

### **Federal Employees Retirement System (FERS)**

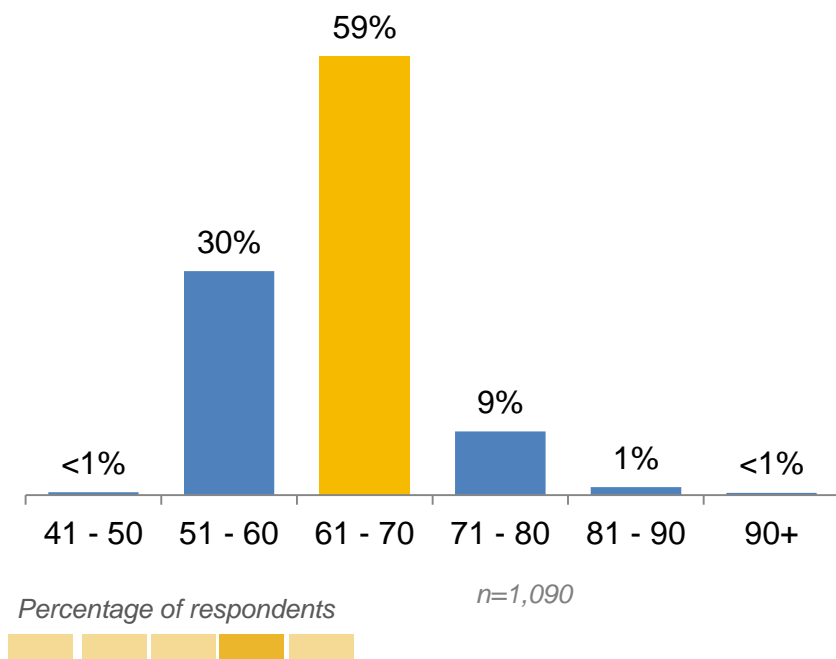
- **Defined contribution plan- Some portion of retirement depends on your savings**
- **Eligible after 10 years of service and you meet minimum retirement age (varies based upon birth year)**
- **Better for federal employees who may leave the civil service**



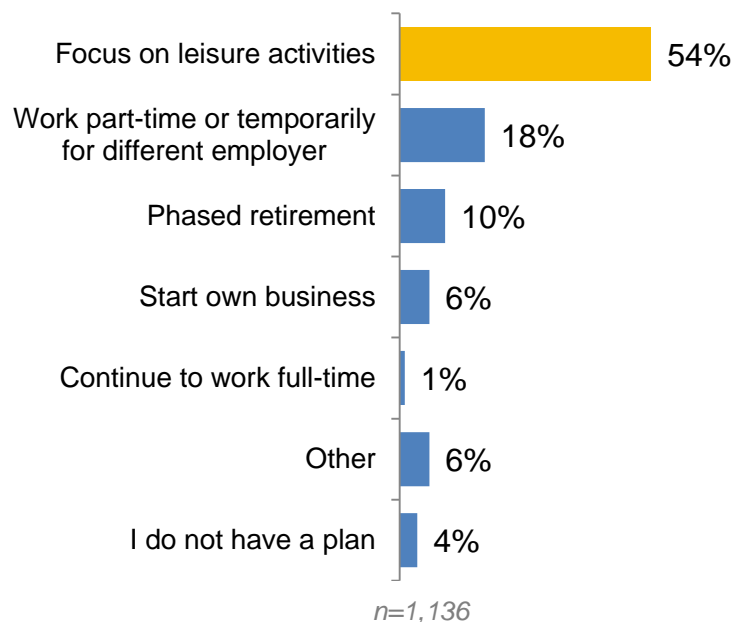
## What Is the Ideal Federal Retirement?

- Over half (59 percent) of people want to retire between age 61 and 70.
- Once retired, over half (54 percent) of managers plan to focus on leisure activities, including hobbies, spending time with family, and traveling. A full 18 percent plan to work part-time or temporarily for different employer, while just ten percent hope to participate in phased retirement.

### Ideal Age At Retirement



### Ideal Plan for Retirement

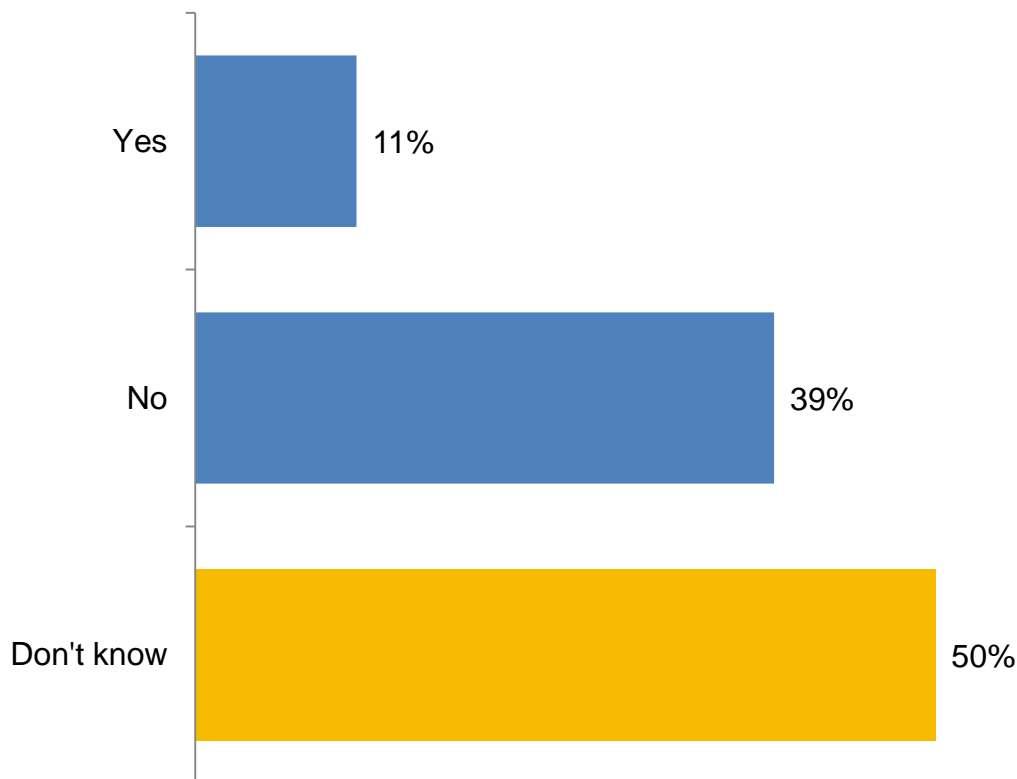


## Briefings

# Most Managers Unaware of Phased Retirement

- On July 6, 2012, President Obama signed the “Moving Ahead for Progress in the 21<sup>st</sup> Century Act” into law, creating the option of partial retirement for federal employees.
- Requirements include that the employee be eligible for retirement, have worked full-time for the past three years, and not be subject to mandatory requirement. This option allows the employee to ease into retirement while allowing agencies to retain skilled and experienced employees, but requires mutual consent. Interested parties also must wait until OPM issues guidelines for implementing the plan.
- In this survey, GBC tested whether managers think their agency has a phased retirement option. Though no agency has the option of phased retirement yet, eleven percent believed they did.

***Does your agency have an option for phased retirement?***



Percentage of respondents, n=1,095

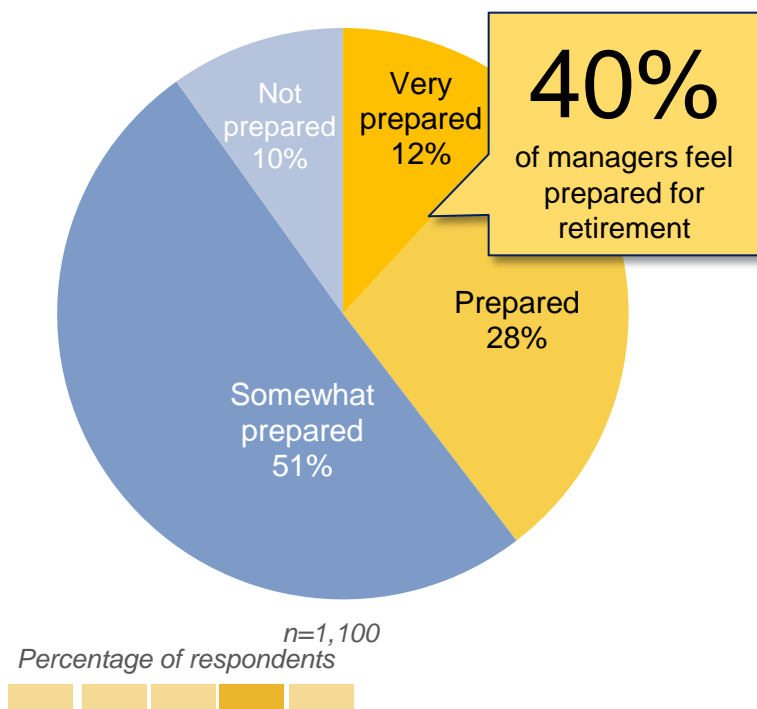


# **Not Prepared: Anxiety About Retirement**

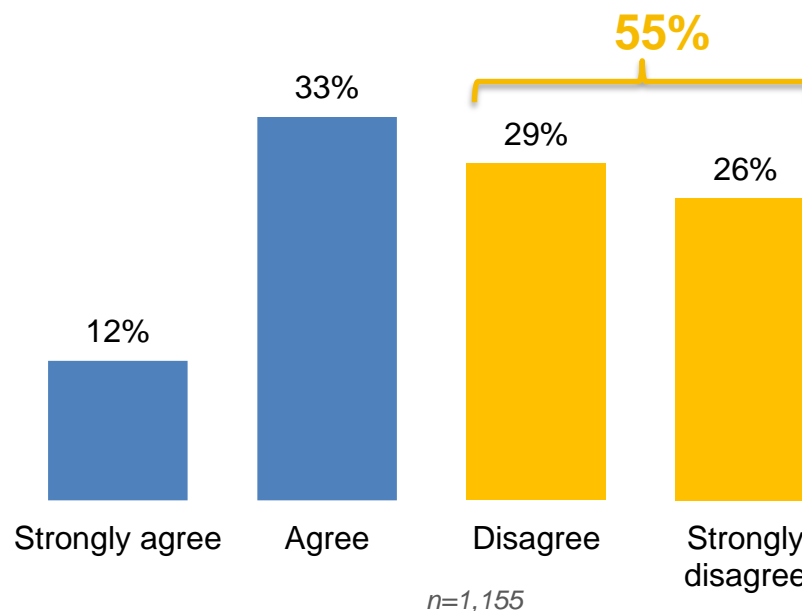
## Managers Not Prepared for Retirement, Worried About Social Security

- Under the FERS system, managers participate in three benefit plans: Basic Benefit Plan, Social Security, and the Thrift Savings Plan (TSP).
- Just 40 percent of managers report that they are prepared or very prepared for retirement and slightly more than half (55 percent) believe that they can count on Social Security benefits in their retirement.

### *How prepared do you feel for retirement?*



### **"I believe I can count on Social Security benefits for my retirement."**



## **Briefings**

# **Are Women Less Prepared For Retirement than Men?**

According to the Department of Labor:

- Women are more likely to work part time jobs over their lifetime, thus earning less money for retirement.
- On average, women tend to live three years longer than men and may have to save more than men for retirement.
- Just 45 percent of women ages 21 to 64 participate in a retirement plan.
- Women are more likely to live longer than men.

## **Retirement Planning Tips for Women**

- **Anyone receiving compensation can save for retirement, you can invest in an IRA if your employer does not have a retirement plan.**
- **After death, your survivors may be eligible for your social security benefits, keep track of them.**
- **After divorce, women may have the right to some of their spouse's retirement benefit (or he may have entitlement to yours).**
- **Women tend to invest more conservatively than men for retirement. Talk to a financial advisor about maximizing your planning.**

<http://www.dol.gov/ebsa/publications/women.html>

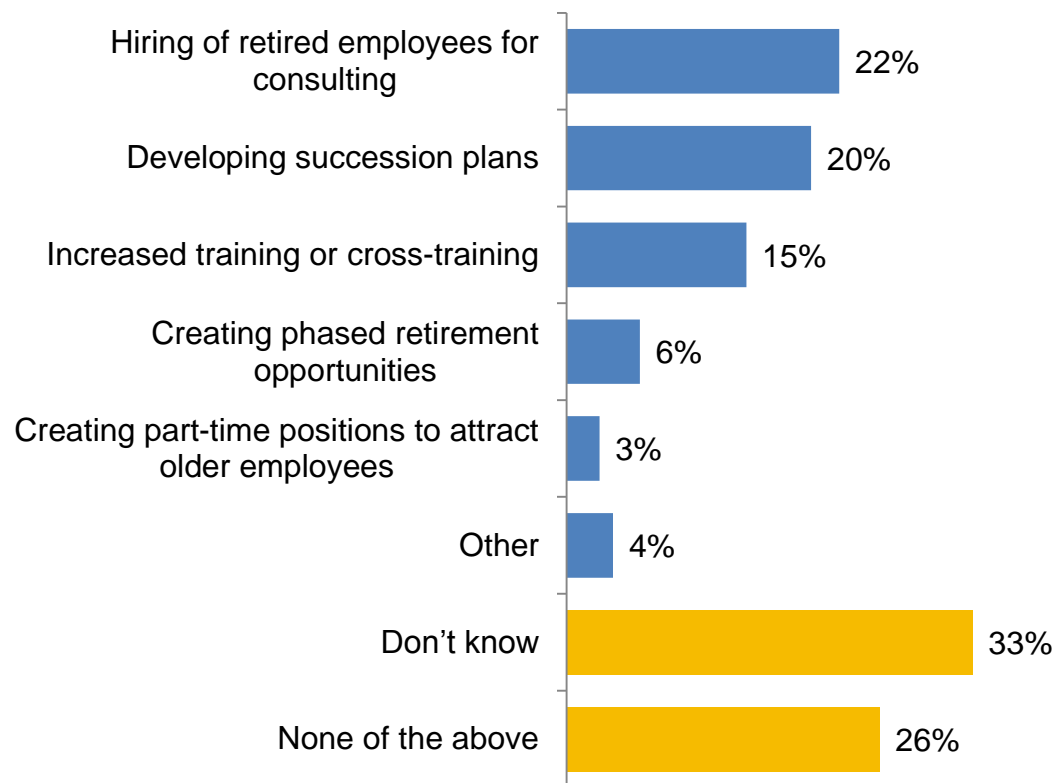




## Agencies Not Prepared Either

- As the baby boomers reach retirement age, agencies risk losing some of their most skilled and experienced employees. GBC asked managers how their agencies are preparing for the possible skill exodus.
- The majority of managers (59 percent) say their agency is not taking steps or are unaware of their agency's actions to prepare for the potential skill loss.

## Steps Taken to Accommodate Skill Exodus Caused by Baby Boomer Retirement



*Percentage of respondents, n=1,091; Respondents could select multiple responses*

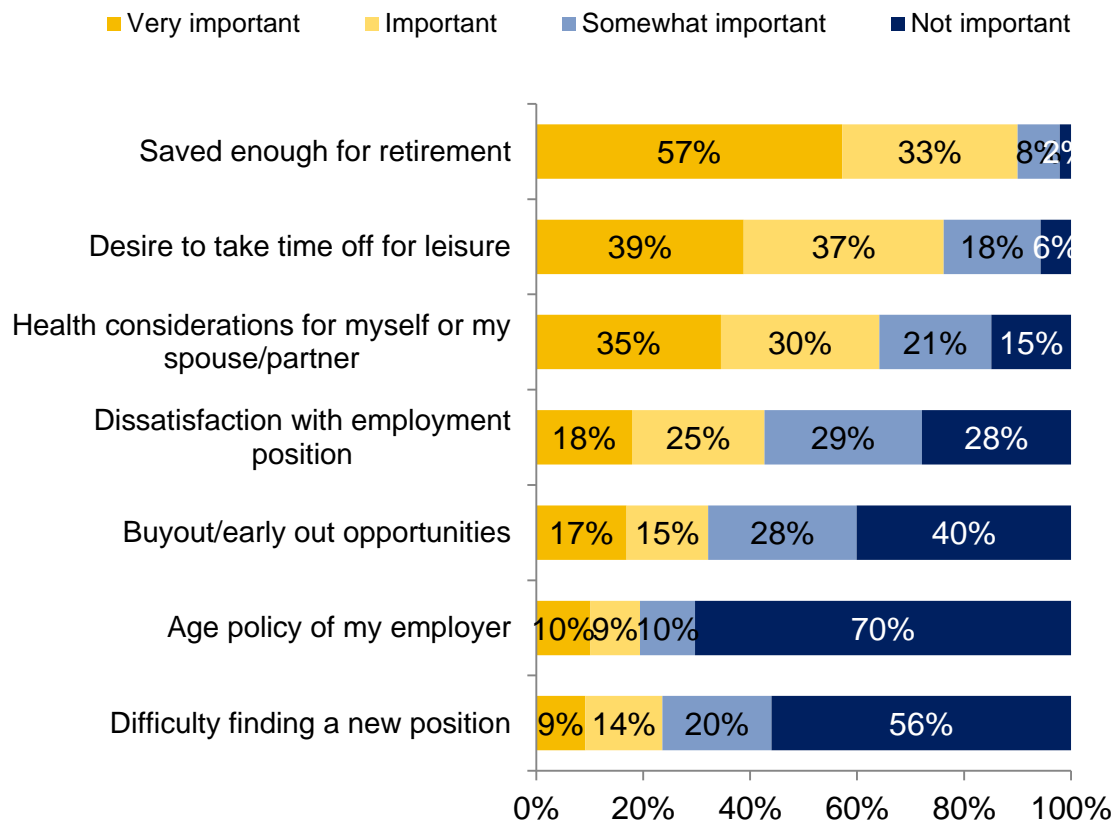


# **Savings: Vital to FERS**

## When Retiring, Savings Is Top Consideration

- Saving enough for retirement is the most important consideration for managers when choosing to retire. Ninety percent of employees report that saving enough for retirement is very important or important to their retirement choice.
- For federal managers, age policy of their employer is unimportant.

### *Which of the following reasons are important to your retirement choice?*

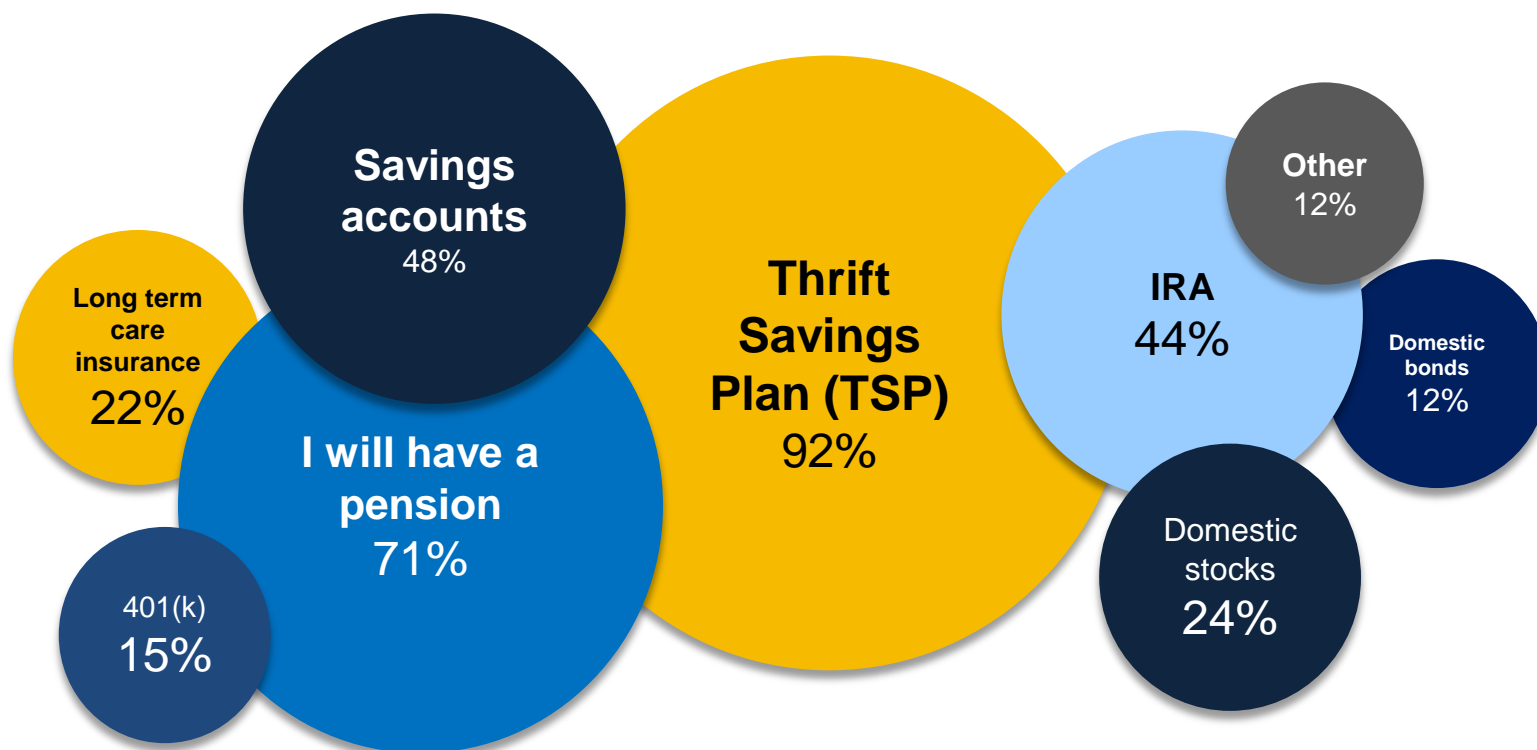


Percentage of respondents, n=1,078



## Thrift Savings Plan (TSP) Is Most Popular Saving Tool

- Nearly all respondents participate in the Thrift Savings Plan (TSP), a plan that federal employees are automatically entered into upon beginning federal employment unless opting-out. Seventy-one percent of respondents mention that they have a pension.



*Percentage of respondents, n=1,142; Respondents could select multiple responses*



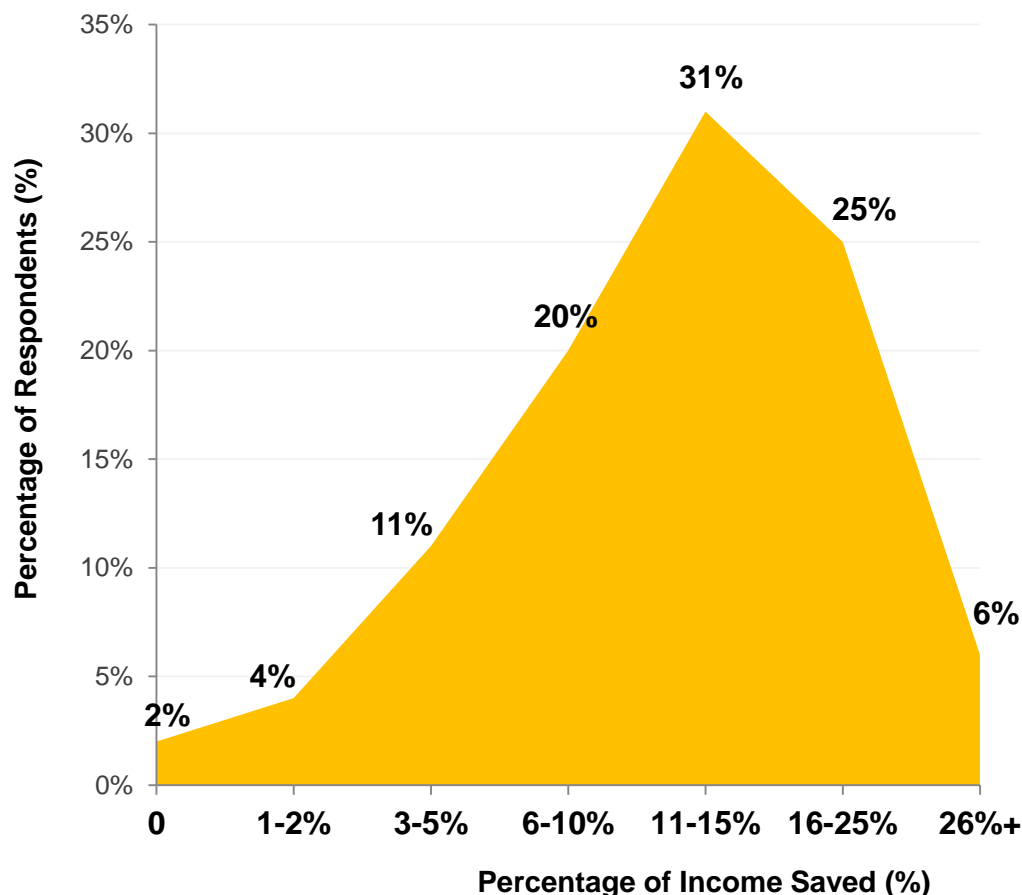
## Most Save 11-15% of Income

- Managers put various amounts of their income toward savings for retirement. This can be in the form of the TSP, 401k, or personal savings accounts. A plurality (31 percent) of managers put 11-15 percent of their income into retirement savings.
- Just two percent of those surveyed do not save at all, while at the other extreme, six percent of managers save over 26% of their income for retirement.

Percent of respondents, n=1,076

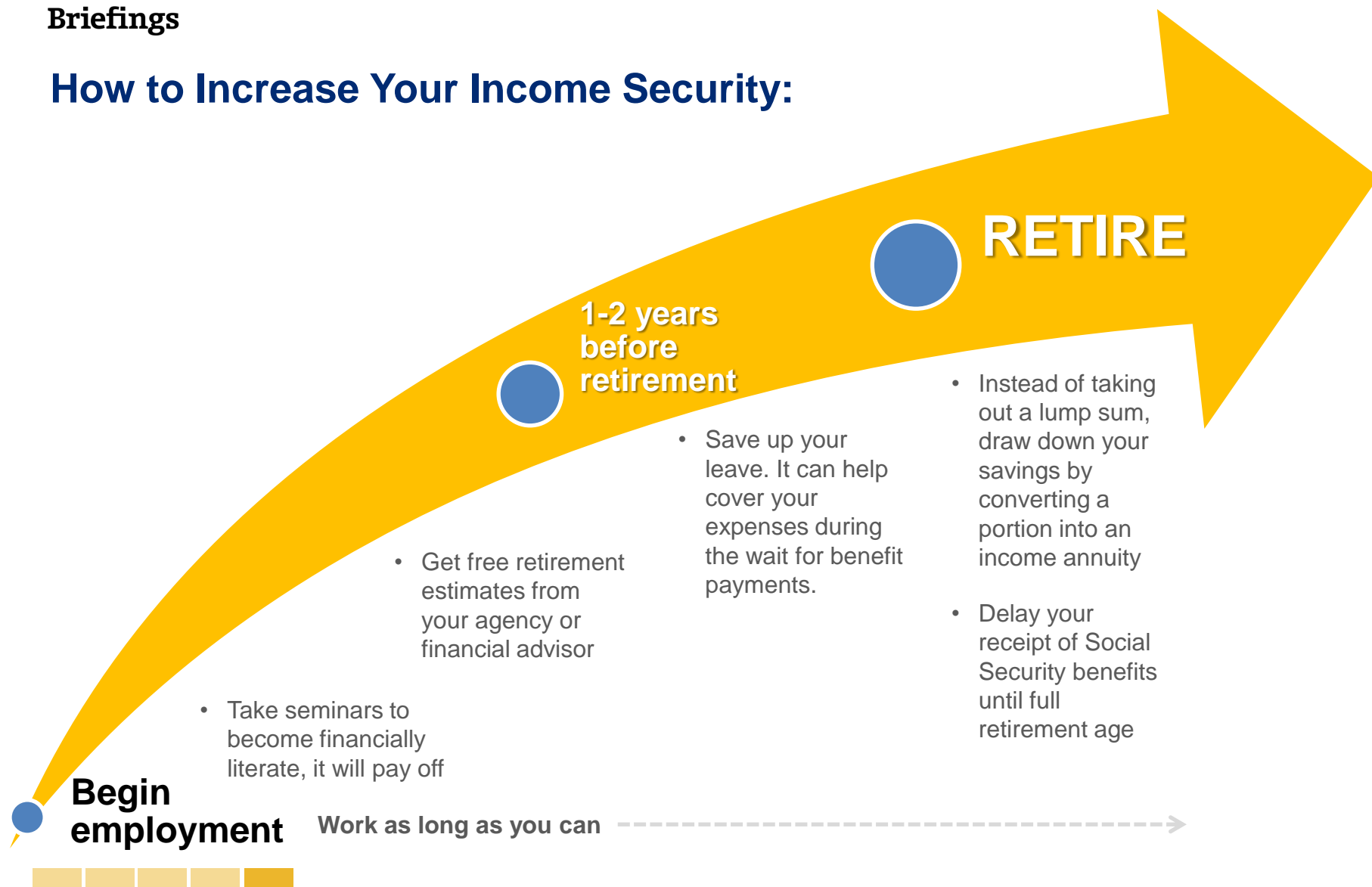


***What total percentage of your income do you put toward saving for retirement either in your Thrift Savings Plan (TSP), 401k or in personal savings?***



# Looking Forward: Increasing Your Income Security

## How to Increase Your Income Security:



## **Contact**

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