Retirement Planning

A Candid Survey of Federal Employees

Underwritten by:

Long Term Care Partners, LLC
The Federal Long Term Care Insurance Program

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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*

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

*Agencies listed in order of frequency*
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.

Job Grade / Rank

- SES: 3%
- GS/GM-15: 18%
- GS/GM-14: 23%
- GS/GM-13: 24%
- GS/GM-12: 17%
- GS/GM-11: 8%
- Other: 7%

68% of respondents are GS/GM-13 or above

Age

- 25 – 34: 1%
- 35 – 44: 4%
- 45 – 54: 30%
- 55 – 64: 53%
- Over 64: 10%
- I'd rather not say: 1%

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

- Not Retired: 93%
- Completely retired: 4%
- Partly retired: 3%

86% plan to retire in the next 15 years
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

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>41 - 50</td>
<td>30%</td>
</tr>
<tr>
<td>51 - 60</td>
<td>59%</td>
</tr>
<tr>
<td>61 - 70</td>
<td>9%</td>
</tr>
<tr>
<td>71 - 80</td>
<td>1%</td>
</tr>
<tr>
<td>81 - 90</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>90+</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

Ideal Plan for Retirement

<table>
<thead>
<tr>
<th>Plan Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on leisure activities</td>
<td>54%</td>
</tr>
<tr>
<td>Work part-time or temporarily for different employer</td>
<td>18%</td>
</tr>
<tr>
<td>Phased retirement</td>
<td>10%</td>
</tr>
<tr>
<td>Start own business</td>
<td>6%</td>
</tr>
<tr>
<td>Continue to work full-time</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>I do not have a plan</td>
<td>4%</td>
</tr>
</tbody>
</table>

Percentage of respondents

- n=1,090
- n=1,136
Most Managers Unaware of Phased Retirement

• On July 6, 2012, President Obama signed the "Moving Ahead for Progress in the 21st 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.

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?

- 40% of managers feel prepared for retirement
- 12% very prepared
- 28% prepared
- 51% somewhat prepared
- 10% not prepared

“I believe I can count on Social Security benefits for my retirement.”

Percentage of respondents: 1,100

Strongly agree: 12%
Agree: 33%
Disagree: 29%
Strongly disagree: 26%

n=1,155
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.

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.
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?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Very important</th>
<th>Important</th>
<th>Somewhat important</th>
<th>Not important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saved enough for retirement</td>
<td>57%</td>
<td>33%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Desire to take time off for leisure</td>
<td>39%</td>
<td>37%</td>
<td>18% 6%</td>
<td></td>
</tr>
<tr>
<td>Health considerations for myself or my spouse/partner</td>
<td>35%</td>
<td>30%</td>
<td>21% 15%</td>
<td></td>
</tr>
<tr>
<td>Dissatisfaction with employment position</td>
<td>18%</td>
<td>25%</td>
<td>29% 28%</td>
<td></td>
</tr>
<tr>
<td>Buyout/early out opportunities</td>
<td>17%</td>
<td>15%</td>
<td>28% 40%</td>
<td></td>
</tr>
<tr>
<td>Age policy of my employer</td>
<td>10% 9%</td>
<td>10%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td>Difficulty finding a new position</td>
<td>9% 14%</td>
<td>20%</td>
<td>56%</td>
<td></td>
</tr>
</tbody>
</table>

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.
Looking Forward: Increasing Your Income Security
How to Increase Your Income Security:

1-2 years before retirement

Begin employment

- Take seminars to become financially literate, it will pay off

Work as long as you can

- Save up your leave. It can help cover your expenses during the wait for benefit payments.

1-2 years before retirement

- Get free retirement estimates from your agency or financial advisor

- Instead of taking out a lump sum, draw down your savings by converting a portion into an income annuity

RETIRE

- Delay your receipt of Social Security benefits until full retirement age

- Delay your receipt of Social Security benefits until full retirement age

Work as long as you can
Contact

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