From Here to Security: Workplace Savings, Growth and American Renewal

Robert L. Reynolds
President and CEO
Great-West Financial and Putnam Investments

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America’s retirement challenge is also a huge opportunity

• Both our public and private retirement systems need serious strengthening
• Political leaders must make Social Security solvent long term — that’s their job!
  — It is the essential baseline for all Americans’ retirement futures
• The good news is that we have a very strong private workplace savings system to build on
• We know what works to deliver real retirement readiness
  — Automatic enrollment and annual re-enrollment
  — Automatic savings escalation to 10% or more
  — Guidance to well-designed “default” investments: target-date funds, balanced funds, or managed accounts
  — Access to investment advice
• Best of all, we can score major gains for our economy by spreading proven success models to savings plans that cover all working Americans
We have become a defined contribution nation…

American workers covered by DB an DC plans

<table>
<thead>
<tr>
<th>Year</th>
<th>DB Participants</th>
<th>DC Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>20</td>
<td>38</td>
</tr>
<tr>
<td>1985</td>
<td>40</td>
<td>35</td>
</tr>
<tr>
<td>1990</td>
<td>39</td>
<td>38</td>
</tr>
<tr>
<td>1995</td>
<td>40</td>
<td>48</td>
</tr>
<tr>
<td>2000</td>
<td>42</td>
<td>62</td>
</tr>
<tr>
<td>2005</td>
<td>42</td>
<td>75</td>
</tr>
<tr>
<td>2008</td>
<td>42</td>
<td>83</td>
</tr>
<tr>
<td>2012</td>
<td>40</td>
<td>91</td>
</tr>
<tr>
<td>2014</td>
<td>38</td>
<td>95</td>
</tr>
</tbody>
</table>

A great base to build on: America’s $27 trillion retirement savings pool

U.S. total retirement market assets
Trillions of dollars

The most powerful variable: Access to payroll deduction savings

Replacement percentages of pre-retirement income*

<table>
<thead>
<tr>
<th>No access to workplace plan</th>
<th>Access to workplace plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>79%</td>
</tr>
<tr>
<td>20.9M HHs</td>
<td>46.5M HHs</td>
</tr>
</tbody>
</table>

Median household replacement score: 64%

** Working with a traditional or online advisor.
*** Deferring 10%+, not including Employer Match.
The impact of having access to any payroll/savings plan

Percent of moderate income workers ($30,000–$50,000) who save for retirement

- **74.0%** for those with access to a workplace plan
- **7.0%** for those without access to a workplace plan—IRA only


10 times more effective than IRAs
Two-thirds of workers without a retirement plan have less than $1,000 in savings and investments

Worker Savings Amounts, by Plan vs. No Plan

- **Less than $1,000**
  - Workers with Retirement Plan (n = 673): 9%
  - Workers without a Retirement Plan (n = 203): 67%

- **$1,000-$24,999**
  - Workers with Retirement Plan (n = 673): 24%
  - Workers without a Retirement Plan (n = 203): 20%

- **$25,000-$99,999**
  - Workers with Retirement Plan (n = 673): 21%
  - Workers without a Retirement Plan (n = 203): 8%

- **$100,000 or more**
  - Workers with Retirement Plan (n = 673): 45%
  - Workers without a Retirement Plan (n = 203): 5%

Total Workers (n = 876)
Figures and n-sizes presented exclude those who answered “Don’t know,” said they never worked, or refused to answer.
Advice and automatic plan design features are key drivers of readiness

Three key enhancements to workplace plan design

- Replacement percentages of pre-retirement income

<table>
<thead>
<tr>
<th>Feature</th>
<th>Median Household Replacement Score</th>
<th>Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>No access to workplace plan</td>
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<tr>
<td>Access to workplace plan</td>
<td>79%</td>
<td>46.5M HHs</td>
</tr>
<tr>
<td>Work with a paid advisor**</td>
<td>91%</td>
<td>19.5M HHs</td>
</tr>
<tr>
<td>Auto-enrolled in plan</td>
<td>95%</td>
<td>10.1M HHs</td>
</tr>
<tr>
<td>Has auto-escalation</td>
<td>107%</td>
<td>8.1M HHs</td>
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*** Deferring 10%+, not including Employer Match.
A vital variable: Savings rates of 10% or more

Replacement percentages of pre-retirement income*

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<th>No access to workplace plan</th>
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<th>Work with a paid advisor**</th>
<th>Auto-enrolled in plan</th>
<th>Has auto-escalation</th>
<th>Deferring 10%+***</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>79%</td>
<td>91%</td>
<td>95%</td>
<td>107%</td>
<td>128%</td>
</tr>
<tr>
<td>20.9M HHs</td>
<td>46.5M HHs</td>
<td>19.5M HHs</td>
<td>10.1M HHs</td>
<td>8.1M HHs</td>
<td>10.8M HHs</td>
</tr>
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Median household replacement score: 64%

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Workplace Savings 4.0: Reforms to keep America’s retirement promise

- Preserve and expand all existing savings incentives and correct the false “scoring” and 10-year “window” used today to account for the cost of savings deferrals
- Close the “access gap” and provide workplace savings to all — by supporting legislation to facilitate multiple employer plans, “Starter” 401(k)s, and auto-IRAs at the national level
- Provide larger — and refundable — Saver’s Credits, additional tax credits to employers who establish plans, and credits to part-time, free-lance, and contract workers who establish IRAs
- Require the adoption of “full-auto” plan design as the norm — system-wide — while also strengthening legal safe harbors for plan sponsors; establish an industry norm of 10%+ deferral
- Support greater adoption of lifetime income options — in plans and beyond — backed up by tax preferences for workers who choose guaranteed income
- Allow retirees to make tax-free withdrawals from qualified plans if they are used to cover health insurance or medical care
Workplace 4.0 reforms would add trillions of dollars in savings by 2025

Projected total U.S. retirement assets*

<table>
<thead>
<tr>
<th>Year</th>
<th>Retirement assets</th>
<th>Potential added growth from Workplace 4.0 reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$25T $162B</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$27T $494B</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$28T $1,006B</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$29T $1,706B</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$31T $2,424B</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>$32T $3,161B</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>$34T $3,917B</td>
<td></td>
</tr>
<tr>
<td>2023</td>
<td>$36T $4,693B</td>
<td></td>
</tr>
<tr>
<td>2024</td>
<td>$38T $5,488B</td>
<td></td>
</tr>
</tbody>
</table>

* ICI U.S. Retirement Assets includes annuity reserves, government defined benefit plans, private sector defined benefit plans, public and private defined contribution plans, and IRAs. Source: EBRI estimates.
And a 1% increase in GDP growth could raise federal revenues by $2.7 trillion by 2024…

… Cutting future deficits nearly in half

Source: Congressional Budget Office 2016
We could achieve a virtuous circle of American renewal

Rising savings could reboot America’s national morale

- Reduce dependency and future government costs
- Fuel capital markets
- Spur innovation and entrepreneurship
- Encourage new business formation
- Create more jobs
- Raise incomes
- Increase government revenues
- Build workers’ wealth
- Reduce dependency and future government costs
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