



TIAA-CREF *institute*

PRC Session 1

Rethinking Retirement in the New Economic ERA

David P. Richardson Comments

May 5, 2011



Questions:

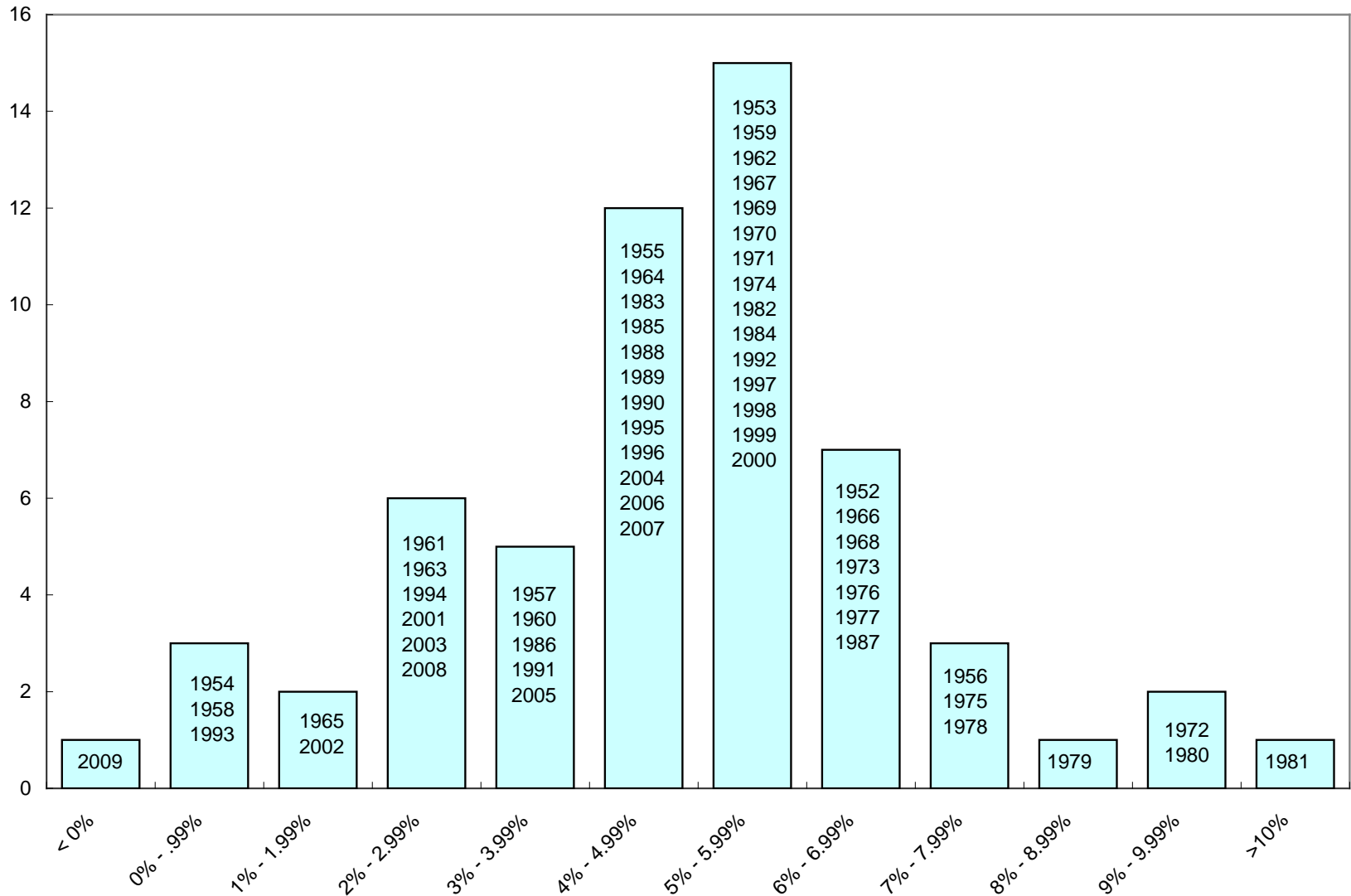
- Are there permanent effects to retirement security attributable to the financial crisis?
- Can households mitigate any potential LR negative effects of the financial crisis by changing behavior or re-investing resources?

Two Dimensions:

- Human Capital
- Financial Capital



Social Security Averaging Indexing Wage Growth 1952-2009



Source: Author calculations of Social Security OCACT data

TIAA-CREF institute

Social Security Averaging Indexing Wage Growth 1952-2009

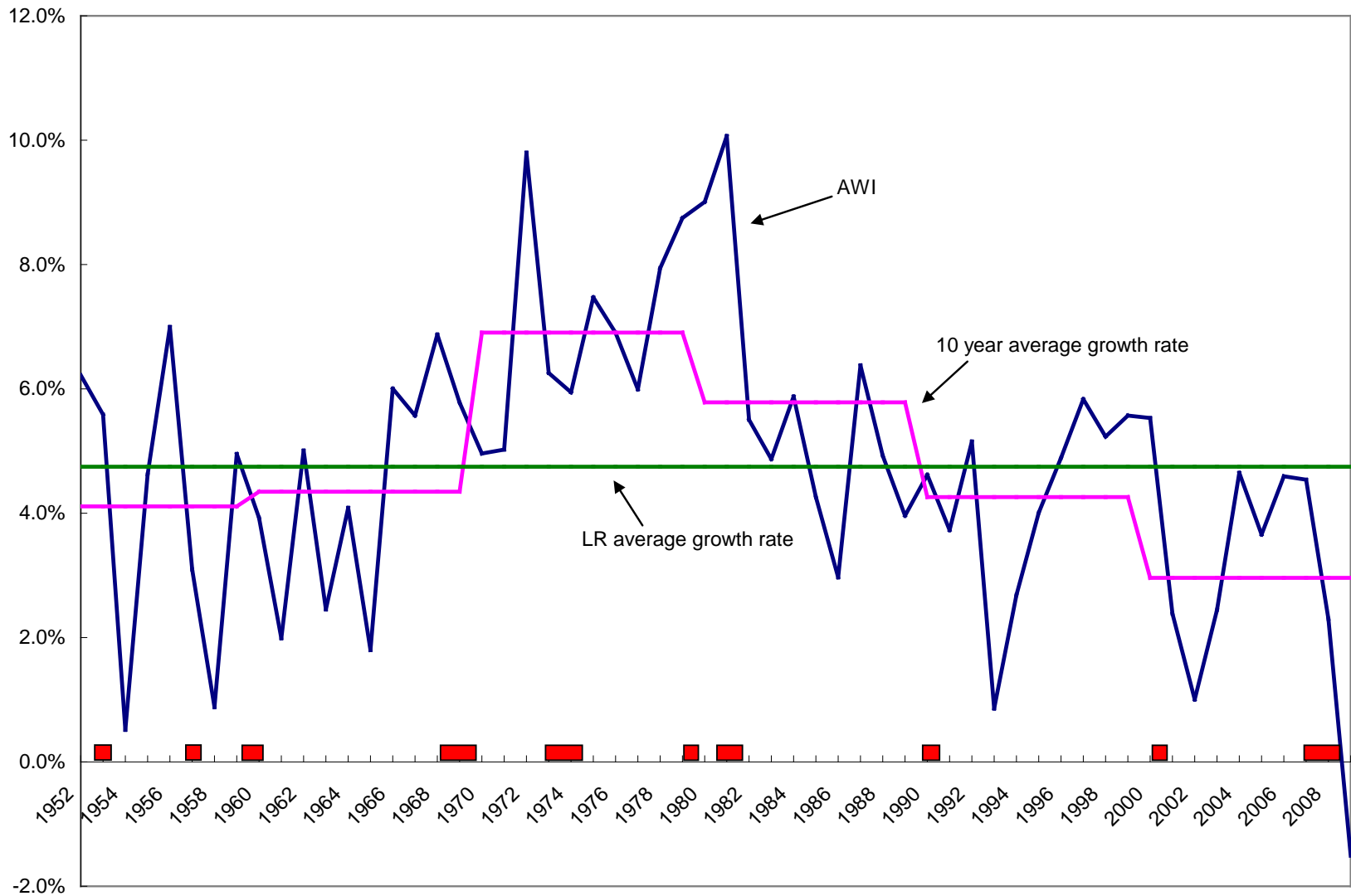


Table 2: Premium Allocation Participation Rates for TIAA-CREF Accounts, by Asset Class, December 1995 to December 2010

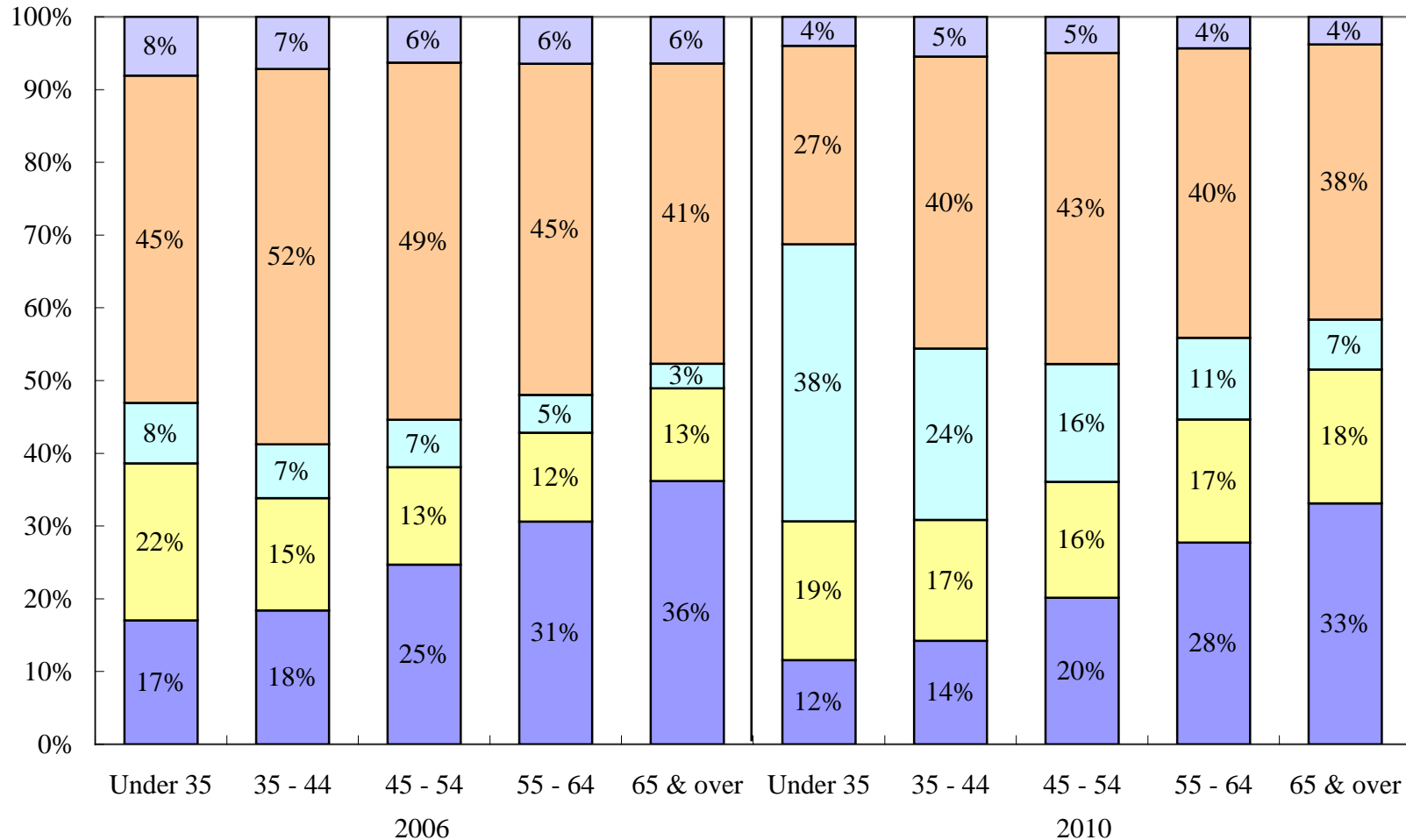
Allocation Pattern	2005	2006	2007	2008	2009	2010
Guaranteed						
100%	6.5%	5.9%	5.2%	6.5%	6.7%	6.2%
50.1 - 99%	8.0	10.1	9.6	9.7	9.2	10.5
0.1 - 50%	47.9	44.3	41.5	37.9	35.3	33.5
0%	37.6	39.8	43.7	45.9	48.7	49.8
Equity						
100%	12.1	11.3	10.9	9.6	9.2	8.2
50.1 - 99%	39.2	37.5	36.8	33.1	31.5	31.4
0.1 - 50%	28.0	29.3	27.8	26.5	25.0	24.6
0%	20.7	21.9	24.5	30.8	34.4	35.9
Fixed Income						
100%	8.0	8.3	7.8	8.4	8.7	8.7
50.1 - 99%	1.9	1.5	1.4	2.0	2.3	3.0
0.1 - 50%	30.2	32.3	32.4	32.0	31.5	32.1
0%	59.8	58.0	58.4	57.6	57.6	56.2
Real Estate						
100%	0.5	0.6	0.6	0.4	0.3	0.2
50.1 - 99%	0.8	0.8	0.8	0.6	0.4	0.5
0.1 - 50%	38.3	40.0	39.6	37.2	33.8	33.8
0%	60.4	58.7	59.1	61.8	65.6	65.5
Balanced						
100%	1.3	3.2	7.3	10.9	14.3	16.1
50.1 - 99%	1.3	1.2	1.2	1.2	1.3	1.8
0.1 - 50%	11.9	11.6	11.4	10.8	10.6	11.5
0%	85.5	84.0	80.2	77.0	73.8	70.5
50% Equity, 50% TIAA Traditional						
	2.6	2.3	2.0	1.8	1.4	0.6

Source: TIAA-CREF Institute analysis of DA inflow data.

Note: Percent of participants contributing to an RA or GRA contract. Percentages may not sum to 100 due to rounding. Statistics shown are as of December 31 of each year unless otherwise noted.



**Figure 1: Average Premium Allocations, by Age Cohort and Asset Class
December 2006 and December 2010**



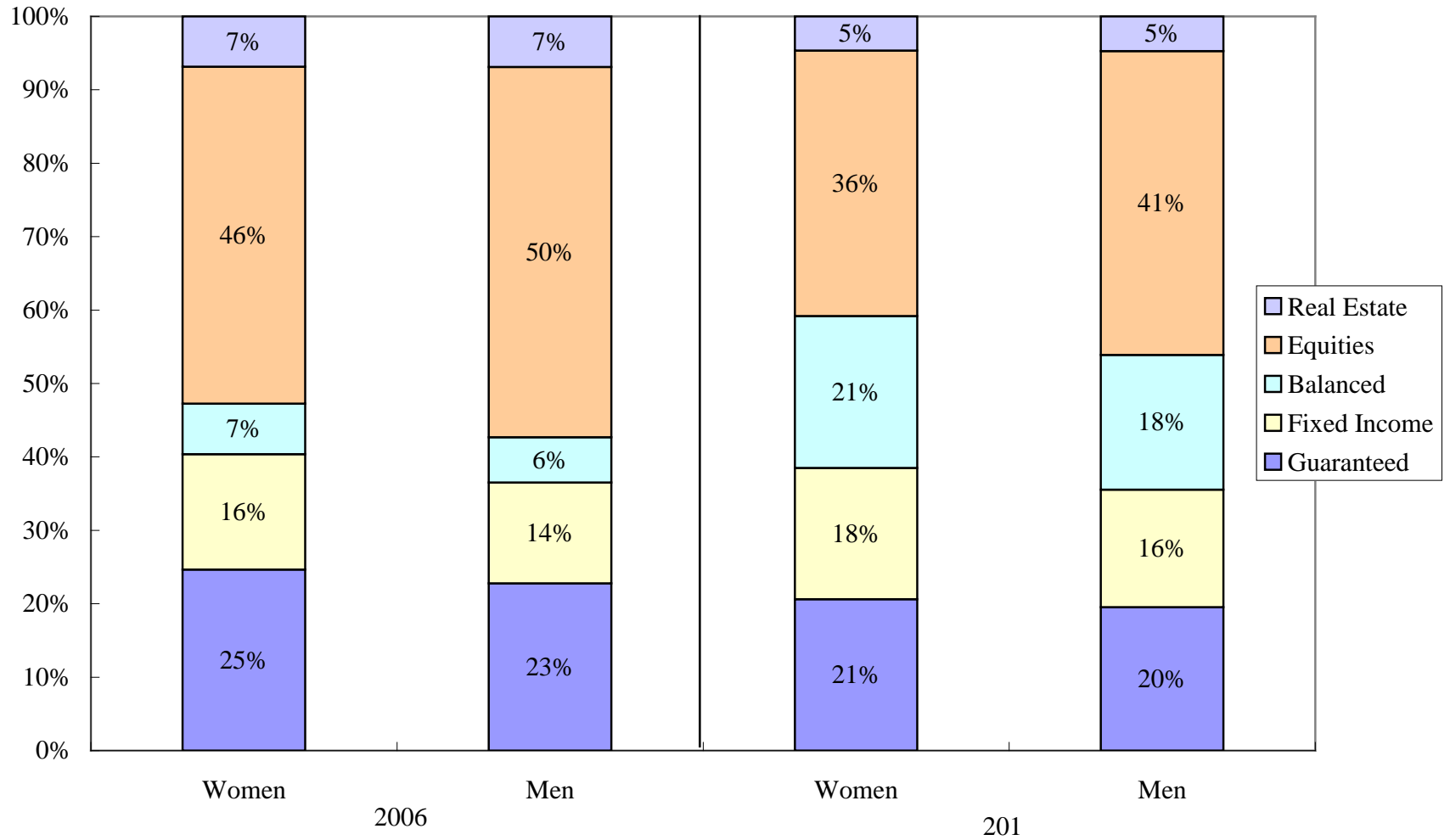
Source: TIAA-CREF Institute analysis of DA Inflow data

■ Guaranteed
 ■ Fixed Income
 ■ Balanced
 ■ Equity
 ■ Real Estate



TIAA-CREF institute

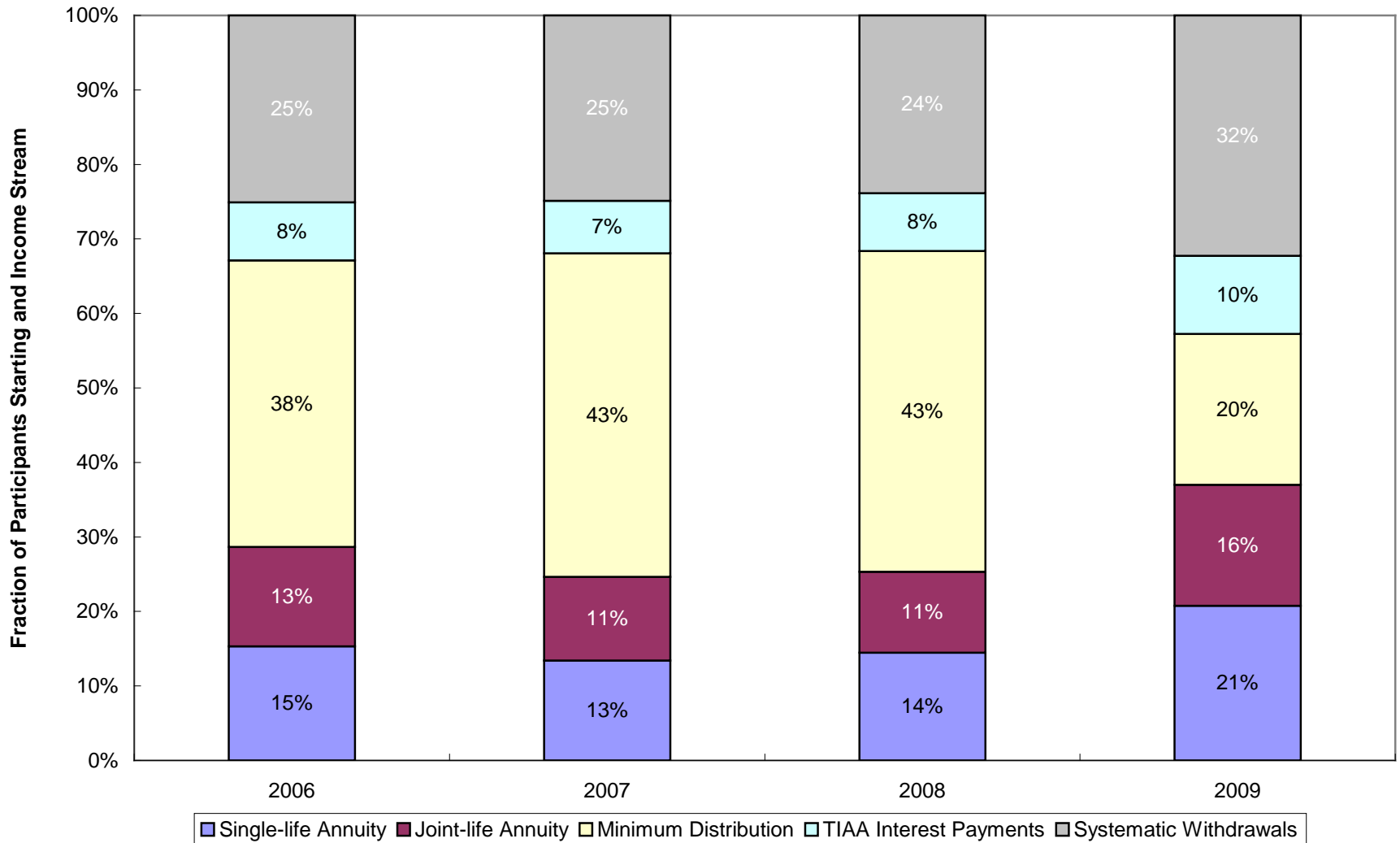
Figure 2: Average Premium Allocations, by Gender and Asset Class, December 2006 and December 2010



Source: TIAA-CREF Institute analysis of DA Inflow data



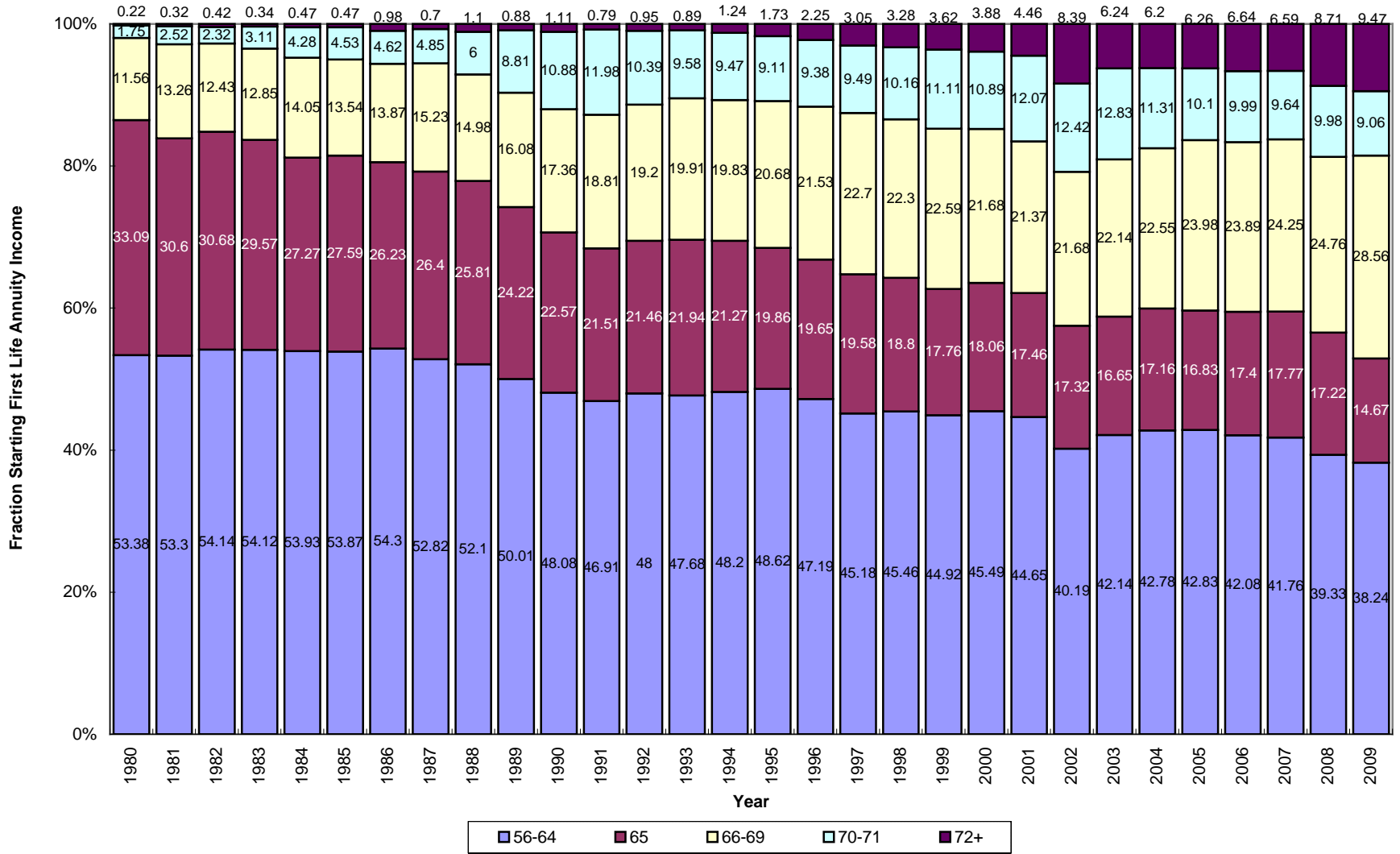
Chart 2: Initial Income selections by TIAA-CREF Participants, 2007 - 2009



Source: TIAA-CREF Institute analysis of Master File data



First Life Annuity Issue Ages, 1980-2009



Source: TIAA-CREF Institute analysis of Master file data



Select Annuity Options by TIAA-CREF Participants: 2004 - 2010

Annuity option	2004	2005	2006	2007	2008	2009	2010
1/2 BENE TO 2ND ANNT - 15 YR GTD	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
1/2 BENE TO 2ND ANNT - 20 YR GTD	2.9%	3.0%	2.9%	3.0%	2.9%	2.9%	2.9%
1/2 BENE To 2ND ANNT	0.8%	0.8%	0.9%	0.9%	1.0%	1.0%	1.0%
2/3 BENE TO SURV	1.4%	1.4%	1.4%	1.5%	1.5%	1.5%	1.5%
2/3 BENE TO SURV - GRA	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2/3 BENE TO SURV - 10 YR GTD	2.6%	2.5%	2.4%	2.4%	2.2%	2.1%	2.0%
2/3 BENE TO SURV - 15 YR GTD	1.4%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
2/3 BENE TO SURV - 20 YR GTD	6.6%	6.6%	6.5%	6.6%	6.3%	6.2%	6.1%
FULL BENE TO SURV - 10 YR GTD	5.9%	5.9%	5.8%	5.8%	5.7%	5.7%	5.6%
FULL BENE TO SURV - 15 YR GTD	3.9%	4.0%	4.0%	4.1%	4.0%	4.1%	4.0%
FULL BENE TO SURV - 20 YR GTD	26.6%	26.6%	26.6%	26.9%	26.3%	26.2%	26.0%
FULL BENE TO SURV	4.2%	4.3%	4.4%	4.5%	4.7%	4.8%	4.9%
ANNUITY CERTAIN	1.8%	1.9%	2.1%	2.0%	2.7%	3.0%	3.6%
LIFE ANNUITY - 10YR GTD	11.0%	11.0%	11.0%	10.9%	11.1%	11.1%	11.1%
LIFE ANNUITY - 15 YR GTD	4.7%	4.9%	4.9%	4.9%	5.0%	5.0%	5.0%
LIFE ANUITY - 20 YR GTD	10.6%	10.5%	10.4%	10.4%	10.3%	10.3%	10.2%
SINGLE LIFE	13.8%	13.5%	13.3%	13.2%	13.3%	13.2%	13.0%
SINGLE LIFE LESS THAN 10 YRS	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
MOD CASH REFUND ANNUITY	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%
INSTALLMENT REFUND	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%
Guaranteed Option Proportion	79.1%	79.2%	79.3%	79.3%	79.0%	79.0%	79.0%

source: TIAA-CREF Institute Analysis of Master File Date

note: Does not include IPRO or TPA options



Final Thoughts

- Evidence suggests that households, both working age and retired, are adjusting their financial portfolios to reduce risk exposure in the wake of the financial crisis.
- The longer term effects from the human capital shocks remain to be seen. Ultimately will depend on the growth of labor productivity.
 - Cash wages may be a poor proxy for productivity growth
 - Legitimate reasons for concern however.
- It is becoming increasingly important to develop models that help households manage risk and maximize the likelihood of an adequate and secure retirement.

