



2012 Impact Report

FIVE AND COUNTING



NATIONAL INSTITUTE ON
Retirement Security

Reliable Research. Sensible Solutions.

What We Do

Mission

The National Institute on Retirement Security is a non-profit research and education organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole.

Vision

Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

- employers can offer affordable, high quality retirement benefits that help them achieve their human resources goals;
- employees can count on a secure source of retirement income that enables them to maintain a decent living standard after a lifetime of work; and
- the public interest is well-served by retirement systems that are managed in ways that promote fiscal responsibility, economic growth, and responsible stewardship of retirement assets.

Approach

Our approach involves:

- High-quality research that informs the public debate on retirement policy. The research program focuses on the role and value of defined benefit pension plans for employers, employees, and the public at large. We also conduct research on policy approaches and other innovative strategies to expand broad based retirement security.
- Education programs that disseminate our research findings broadly. NIRS disseminates its research findings to the public, policy makers, and the media by distributing reports, conducting briefings, and participating in conferences and other public forums.
- Outreach to partners and key stakeholders. By building partnerships with other experts in the field of retirement research and with stakeholders that support retirement security, we leverage the impact of our research and education efforts. Our outreach activities also improve the capacity of government agencies, non-profits, the private sector, and others working to promote and expand retirement security.

"I so admire the work that the National Institute on Retirement Security does. I applaud NIRS' important study, *Pensionomics*, that puts an even clearer focus on the importance of a strong, secure retirement not only to individual financial security, but also to our nation's economy."

Thomas DiNapoli, New York State Comptroller

Five Short Years, Long Range Impact

It began with a desire to better inform the retirement security policy debate amid an environment of inadequate and inaccurate information. In 2007, an idea was transformed into an organization. We laid the foundation for a new research and education non-profit, the National Institute on Retirement Security.

We filed the requisite paperwork. We hired people and opened an office. We secured a domain and designed a logo. And we made big plans.

May 2008 marked our public debut with the launch of www.nirsonline.org. That year NIRS issued three “table setter” research reports laying out the work that was to come:

- *Retirement Readiness: What Difference Does a Pension Make?*
- *A Better Bang for the Buck: The Economic Efficiencies of DB Plans*
- *Look Before You Leap: The Unintended Consequences of Pension Freezes*

Fast forward five years. With the support of our growing membership base, Board of Directors, and Academic Advisory Board, NIRS is now a trusted source of reliable information. We also have helped change the debate on retirement and pensions. Here are just a few examples of NIRS impact over the past five years:

- More than 25 research products including reports, issue briefs, guides, and primers.
- Testimony before the U.S. Congress and state legislatures on the retirement crisis and pensions.
- Hundreds of news articles citing our research and experts in major media outlets including *The Wall Street Journal*, *The New York Times*, *USA Today*, *The Washington Post*, *CNBC* and *PBS*, along with trade and local media outlets.
- Speaking engagements from coast to coast reaching thousands of stakeholders.
- 130 members—we started with three founders and now have broad support from a diverse base of organizations interested in retirement security.
- A widely attended annual policy conference that provides a meaningful forum for leaders to exchange ideas on solutions for addressing the retirement crisis.

While we have made significant headway in reframing the debate, much work remains. The retirement crisis is not looming in the future. The crisis is here. Today—and every day—10,000 baby boomers reach age 65, and most are poorly prepared for retirement, as the economic crisis has brought havoc to retirement readiness. Nearly half the workforce does not have access to workplace retirement plans, and four out of ten middle income workers ages 45- 54 may slip to near poverty in retirement. Cuts to Social Security benefits remain part of the policy discussion, pension coverage continues to decline, and individuals’ retirement accounts are severely underfunded.

We see promising signs of change. Americans are saving more. States are considering innovative retirement security solutions. Congress has expressed interest in pensions for the 21st century.

It’s been five short years, and our work has already made an impact. Together, with your support, we will continue on a path for the next five years to improve the retirement prospects for all Americans.



A handwritten signature in blue ink, reading "Michael Williamson".

Michael Williamson
NIRS Chair



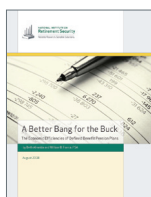
A handwritten signature in blue ink, reading "Diane Oakley".

Diane Oakley
NIRS Executive Director

Research

Five Years

Since 2008, NIRS has released a full body of high quality retirement research products, with a special focus on pensions. A full listing of NIRS research products is available at www.nirsonline.org. Some of the reports that have commanded the most attention include:



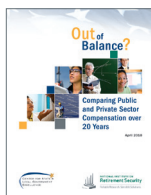
A Better Bang for the Buck: The Economic Efficiencies of DB Plans finds that the efficiencies of pensions enable them to deliver the same retirement income at 46 percent lower cost than an individual defined contribution account. This report was issued in 2008.



The Pension Factor: Assessing the Role of Defined Benefit Plans in Reducing Elder Hardships finds rates of poverty among older households lacking pension income were about six times greater than those with such income. This report was issued in 2009.



Pensions and Retirement Security 2011: A Roadmap for Policymakers finds an overwhelming majority of Americans believe the nation's retirement infrastructure is crumbling and stock market volatility makes it impossible to predict retirement savings. This updates a similar study issued in 2009.



Out of Balance: Comparing Public and Private Sector Compensation Over 20 Years finds that employees of state and local government earn an average of 11 percent and 12 percent less, respectively, than comparable private sector employees. This report was issued in 2010 with the Center for State and Local Government Excellence.



Lessons from Well-Funded Public Pensions: An Analysis of Six Plans that Weathered the Financial Storm identifies common elements of public sector pension plans that enabled the plans to remain well-funded, sustainable and affordable despite two severe economic downturns. This report was issued in 2011.



Who Killed the Private Sector DB Plan? finds that funding volatility, not pension costs, is the primary reason that defined benefit pension coverage has declined for private sector workers. This report was issued in 2011.



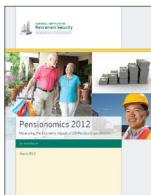
And Counting

In 2012, we continued to produce high quality research products including:



The Pension Factor 2012: The Role of Pensions in Reducing Elder Economic Hardships

finds that the rate of poverty among older households without pension income is nine times greater than among those with such income and that pension income reduces the risk of elder American poverty, particularly for households headed by women and people of color.



Pensionomics 2012: Measuring the Economic Impact of DB Pension Expenditures

finds that pension benefits have a significant economic impact: 6.5 million American jobs and \$1 trillion in economic output.

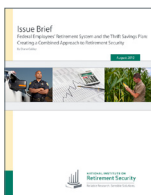


On the Right Track? Public Pension Reforms in the Wake of the Financial Crisis

examines key factors that have contributed to private and public employers' pension decisions. It finds that closing a pension can cost substantially more than adjusting an existing plan. And, scaling back pensions can have destabilizing economic impacts, erode retirement security, and harm the workforce.



The Great Recession: Pressures on Public Pensions, Employment Relations and Reforms examines the workforce impacts of existing defined benefit pension plans to assess the likely effects of a switch to defined contribution individual accounts or cash balance plans.



Federal Employees' Retirement System and the Thrift Savings Plan provides a historical overview of the Federal Employees' Retirement System and the Thrift Savings Plan and how they create a combined approach to achieving retirement security.



How Do Public Pensions Invest? A Primer provides an overview of the public pension investment process, which has garnered increased attention in the wake of economic shocks that have impacted all investors. The primer explains how pension funds set their investment policies, monitor and evaluate risk, and set their investment return assumptions.

Education

Speaking Engagements & Media Outreach

Speaking Engagements

Since its inception, NIRS has been in high demand on the speaking circuit discussing our research and retirement issues. This includes testimony before the U.S. Congress, state legislatures, and at conferences, seminars, and trainings.

The year 2012 was no different. We participated in more than 30 events in the U.S. and abroad—from Sacramento, California, to Sugarland, Texas, to Macon, Georgia, and Halifax, Nova Scotia—to name just a few. We also reached a diverse audience of policymakers, journalists, and plan sponsors, experts, and retirees through speaking engagements with organizations such as AARP, International Foundation of Employee Benefit Plans, the National Press Foundation, Institutional Investor, Latinos for a Secure Retirement, and the Society of Actuaries, among others.

Media Outreach

One of the long-term goals of NIRS has been to help improve the balance and accuracy of media coverage of retirement issues, particularly with regard to pensions. For the past five years, we have diligently built trusted relationships with national, local, and trade media outlets by issuing press releases, holding webinars, and giving interviews.

Our work has paid off. NIRS research and experts have been cited in hundreds of news stories, and the volume and quality of the articles continue to grow. Below are just a few examples from 2012.

The Wall Street Journal

Picking a Place to Retire

The National Institute on Retirement Security, a nonprofit research group, analyzed the economic impact of state and local pensions in all 50 states. Diane Oakley, the director of the institute, says the impact of pension expenditures helps keep property values stable, and might be especially vital to small or rural communities.

May 10, 2012

Reuters

Five things to consider before cutting pension benefits

“With a 401(k), we ask people to be their own investment advisers, which takes about 200 basis points off the return,” says Diane Oakley, executive director of the National Institute on Retirement Security, a not-for-profit research and education organization. “Then we ask them to be their own actuaries and decide how long they will need to draw their own money out - and most people can’t do that.”

June 20, 2012

Pensions & Investments

Poverty rates rising for older Americans without DB plans

Rates of poverty among older Americans without defined benefit pensions were nine times greater in 2010 than for those with the pension plans, up from six times greater in 2006, according to a new report from the National Institute on Retirement Security.

July 26, 2012

CNBC

Stop Juggling That Handful of 401(k)s and IRAs

“The investment choices definitely are vetted; they have a fiduciary responsibility to make the best choices in terms of the participant,” says Oakley of the NIRS. “If you are in a plan that is a good plan, and you have low fees and the employer is OK with you staying in that plan, then sometimes it is the best thing to do.”

September 19, 2012

The Washington Post

Young workers’ retirement hopes grow bleaker amid economic downturn

“We have a looming retirement-income crisis in this country,” said Diane Oakley, executive director of the National Institute on Retirement Security. “The problem is we won’t see the ultimate brunt of it until 30 years down the road when it is too late to do something about it.”

November 5, 2012

The National Journal

The To Do List For Rebuilding the U.S. Economy

Only a third of private-sector workers hold a traditional pension, down from 88 percent in 1975, according to the National Institute on Retirement Security. The use of 401(k) accounts has soared, but the average worker’s contribution of just 3 percent is too small to grow much of a nest egg.

December 3, 2012

Conference



NIRS' Third Annual Policy Conference

On March 5-6, 2012, NIRS held its Third Annual Retirement Policy Conference, “**Retirement Economics: The Impact of Retirement Plans for Americans and the Economy**” in Washington, D.C.

More than 250 retirement leaders examined key questions: In the current economic climate, how does retirement security affect economic growth? What are the economic effects of retirement income on the national, state, and local level, and on capital and financial markets? What solutions exist to broaden retirement security, and what effects will these programs have on the wider economy?

The conference featured the release of *Pensionomics 2012: Measuring the Economic Impact of Defined Benefit Pension Expenditures*. This study reports the national economic impacts of public and private pension plans, as well as the impact of state and local plans on a state-by-state basis.

For the first time, the conference was live webcast and featured distinguished thought leaders including:

- Joe Azelby, Head of J.P. Morgan Asset Management’s Global Real Assets Group
- Congressman Richard Baker, President and CEO, Managed Funds Association
- Keith Brainard, Research Director, National Association of State Retirement Administrators
- Keith Bozarth, Executive Director, State of Wisconsin Investment Board
- Thomas DiNapoli, New York State Comptroller
- Joshua Gotbaum, Director, Pension Benefit Guaranty Corporation
- Mike Heale, Partner, CEM Benchmarking, Inc.
- Dr. Patricia Pacey, President, Pacey & McNulty Economic Group
- Ellen Schultz, Columnist with *The Wall Street Journal* and author of *Retirement Heist: How Companies Plunder and Profit From the Nest Egg of American Workers*



Joe Azelby



Ellen Schultz



Joshua Gotbaum

“Defined benefit plans in the investment environment are a huge economic driver of the things that we need most—real assets which make societies productive.”

Joe Azelby, J.P. Morgan

Members

The National Institute on Retirement Security is guided by the vision that all Americans should have access to retirement security. NIRS members share this vision. Our diverse membership of over 130 organizations interested in retirement security issues makes our work possible.

Leadership Members

Council of Institutional Investors
National Association of State Retirement Administrators
National Conference on Public Employee Retirement Systems
National Council on Teacher Retirement

In 2012, NIRS launched the Visionary Circle and the Director Circle, two new levels of membership offered to Associate members and Educational Sustainers looking to enhance their involvement with and commitment to NIRS.

Visionary Circle

AARP*
CalPERS*
CalSTRS*
Colorado PERA*
District of Columbia Retirement Board
Illinois Municipal Retirement Fund*
Kentucky Teachers' Retirement System*
Los Angeles County Employees' State Retirement Association*
Missouri State Employees' Retirement System*
New York State Teachers' Retirement System*
Ohio Public Employees Retirement System*
Public School Retirement System of Missouri*
Sacramento County Employees' Retirement System
Teachers' Retirement System of Illinois*

Director Circle

AFL-CIO
AFSCME*
Alignment Financial Services
MetLife

Educational Sustainers

Acadian Asset Management
 AllianceBernstein
 American Federation of Teachers
 BNY Mellon
 California Retired Teachers Association
 California Teachers Association
 Callan Associates Inc.
 The Carlyle Group
 Cavanaugh Macdonald Consulting, LLC
 CEM Benchmarking, Inc.
 EFI Actuaries
 Florida Public Pension Trustees Association
 Gabriel Roeder Smith and Company
 Georgia Association of Public Pension Trustees
 Houlihan Lokey
 Ice Miller LLP
 Illinois Public Pension Fund Association
 ING
 International Brotherhood of Teamsters
 J.P. Morgan Asset Management
 Kentucky Education Association

LRWL Incorporated
 Lazard Asset Management
 Milliman
 New Jersey Education Association
 New York State United Teachers
 New York Life Insurance Company & MainStay Investments
 Ohio Education Association
 Ohio Retired Teachers Association
 Pension Consulting Alliance, Inc.
 Pension Trustee Advisors
 Prudential Financial
 Robbins Geller Rudman & Dowd, LLP
 Segal Company
 Service Employees International Union
 State Street Corporation
 Tegrit Group
 Texas Association of Public Employee Retirement Systems
 Texas Retired Teachers' Association
 TIAA-CREF
 UBS Global Asset Management
 United Food and Commercial Workers



Associate/Charter Members

Arizona Public Safety Personnel Retirement System*
 Arkansas Public Employees Retirement System
 Charlotte Firefighters' Retirement System
 Chicago Teachers' Pension Fund
 City of Milwaukee's Employees' Retirement System
 Contra Costa County Employees' Retirement Association*
 Delaware Public Employees' Retirement System*
 Duluth Teachers' Retirement Fund Association
 El Paso Firemen & Policemen's Pension Fund
 Employees' Retirement Fund of the City of Dallas
 Employees Retirement System of Rhode Island*
 Employees Retirement System of Texas
 Fire & Police Pension Association of Colorado
 Houston Municipal Employees Pension System
 IAMAW Grand Lodge Pension Plan
 Iowa Public Employees' Retirement System*
 IUE-CWA Pension Fund
 Jacksonville Police and Fire Pension Fund*
 Kansas City Public School Retirement System
 Kansas Public Employees Retirement System
 Laborers National Pension Fund*
 LEOFF Plan 2 Retirement Board
 LiUNA Staff and Affiliates Pension Fund
 Louisiana State Employees' Retirement System*
 Maine Public Employees Retirement System
 Massachusetts Port Authority Employees' Retirement System
 Michigan Office of Retirement Services
 Minnesota State Board of Investment
 Minnesota State Retirement System
 Minnesota Teachers Retirement Association*
 Mississippi Public Employees Retirement System*
 Missouri Local Government Employees Retirement System
 MoDOT and Patrol Employees' Retirement System*
 Montana Public Employees' Retirement Administration
 Montana Teachers' Retirement System*
 Municipal Employees' Retirement System of Michigan*

New York City Office of the Comptroller
 New York State and Local Retirement System
 North Carolina Retirement Systems*
 North Dakota Public Employees' Retirement System*
 North Dakota Retirement and Investment Office
 Ohio Police & Fire Pension Fund*
 Oklahoma Police Pension & Retirement System
 Oklahoma Teachers' Retirement System
 Omaha School Employees' Retirement System
 Oregon Public Employees Retirement System
 Pennsylvania Public School Employees' Retirement System*
 Pennsylvania State Education Association
 Public Employees Retirement Association of Minnesota*
 Public Employees' Retirement System of Nevada*
 Puerto Rico Government Employees Retirement System
 School Employees Retirement System of Ohio*
 Sheet Metal Workers' National Pension Fund*
 Sonoma County Employees' Retirement Association
 South Dakota Retirement System*
 State Retirement and Pension System of Maryland*
 State Teachers Retirement System of Ohio*
 State Universities Retirement System of Illinois*
 Teacher Retirement System of Texas*
 Teachers' Retirement System of Georgia*
 Teachers' Retirement System of Louisiana*
 Tennessee Consolidated Retirement System*
 Texas County & District Retirement System*
 Texas Municipal Retirement System*
 The Educational Employees' Supplementary Retirement System
 of Fairfax County*
 Utah Retirement Systems*
 Virginia Retirement System*
 Washington State Department of Retirement Services
 Wisconsin Department of Employee Trust Funds
 Wyoming Retirement System

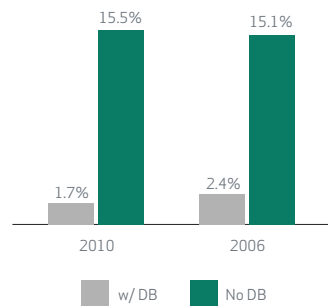
* Denotes "Charter Member" – those organizations who joined NIRS in its first year of operation.

Five Years of Facts

NIRS data and analyses are informing the retirement policy debate and having a powerful impact. Here are few examples:

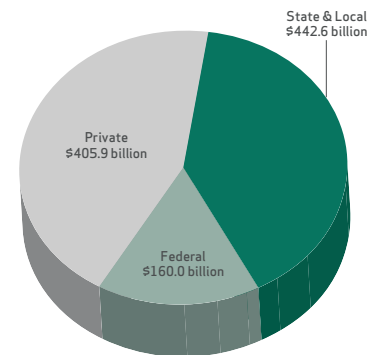
Elderly Poverty Rate Nine Times Greater Without DB Income in 2010

Rates of Poverty in 2006 and 2010 by DB Pension Status



PENSIONS KEEP MIDDLE CLASS OUT OF POVERTY

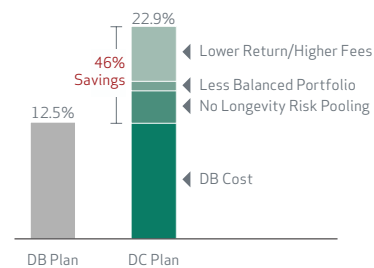
Results: DB Pensions Support \$1 Trillion in Economic Activity



PENSIONS FUEL THE ECONOMY

Pensions Most Economically Efficient Retirement Plan: HALF the cost

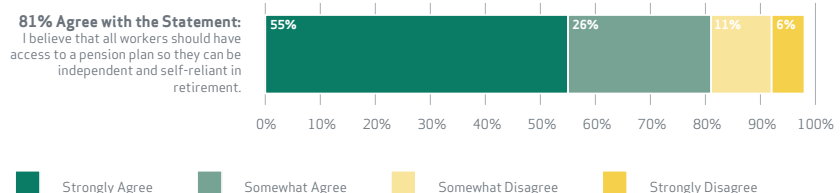
Cost of DB and DC Plan as % of Payroll



PENSIONS ECONOMICALLY EFFICIENT: HALF THE COST OF INDIVIDUAL ACCOUNTS

AMERICANS WANT PENSIONS

81% Agree with the Statement:
I believe that all workers should have access to a pension plan so they can be independent and self-reliant in retirement.



Who We Are



Board of Directors

Michael Williamson, NIRS Chair

Executive Director, State of Wisconsin Investment Board

Meredith Williams, Vice Chair

Executive Director, National Council on Teacher Retirement

Hank H. Kim, Esq., NIRS Secretary/Treasurer

Executive Director and Counsel, National Conference on Public Employee Retirement Systems

Amy Borrus, Board Member

Deputy Director, Council of Institutional Investors

Bill Finelli, Board Member

Vice-Chairperson, Employees' Retirement System of Rhode Island Board of Trustees

Laurie Fiori Hacking, Board Member

Executive Director, Minnesota Teachers Retirement Association

Pat McElligott, Board Member

Immediate Past President, National Conference on Public Employee Retirement Systems

Jeannine Markoe Raymond, Board Member

Director of Federal Relations, National Association of State Retirement Administrators

Gregory Smith, Board Member

Executive Director, Colorado Public Employees' Retirement Association

Staff/Consultants

Diane Oakley, Executive Director

Rachel Fauber, Manager of Membership Services

Nari Rhee, PhD, Manager of Research

Jamesia Green, Events Consultant

Kelly Kenneally, Communications Consultant

Academic Advisory Board

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Alicia H. Munnell, PhD, Boston College

Jeffrey B. Wenger, PhD, University of Georgia

"Pensionomics is important. It's not well understood the role of pension funds as the funder and enabler of innovation and corporate renewal. It is really important."

Josh Gotbaum, Pension Benefit Guaranty Corporation



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Reliable Research. Sensible Solutions.



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