

Participant Perceptions and Decision-Making Concerning Retirement Benefits

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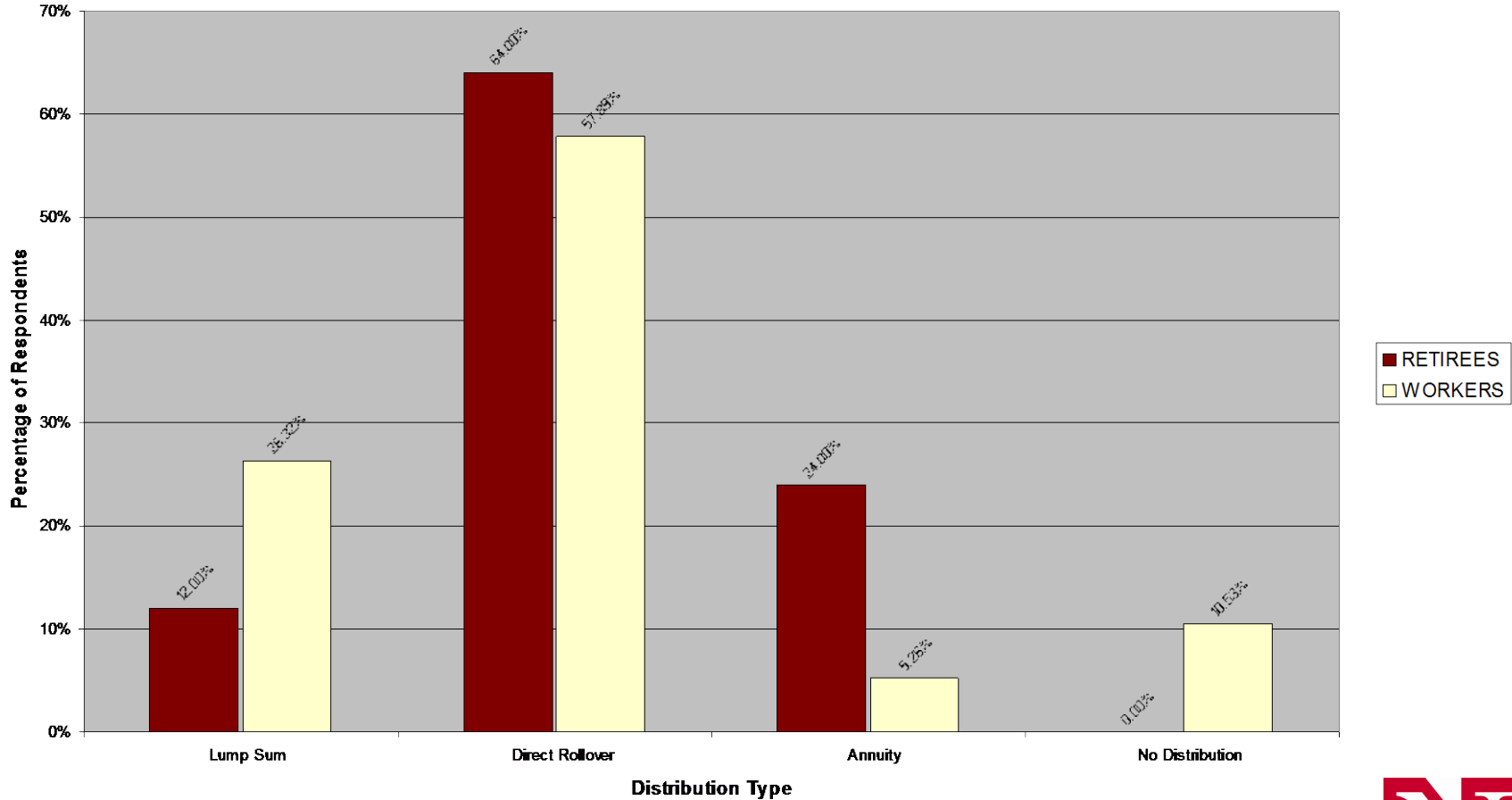
Nebraska Public Employees Retirement System

- Defined Contribution Plan (1964-2002)
- Choice of Distribution Form (vested account balance or annuity)
- Mail Survey to 1,564 Former Participants (terminated or retired in 1997)
- Preliminary Data Based on Response Rate of 7% as of July 17th



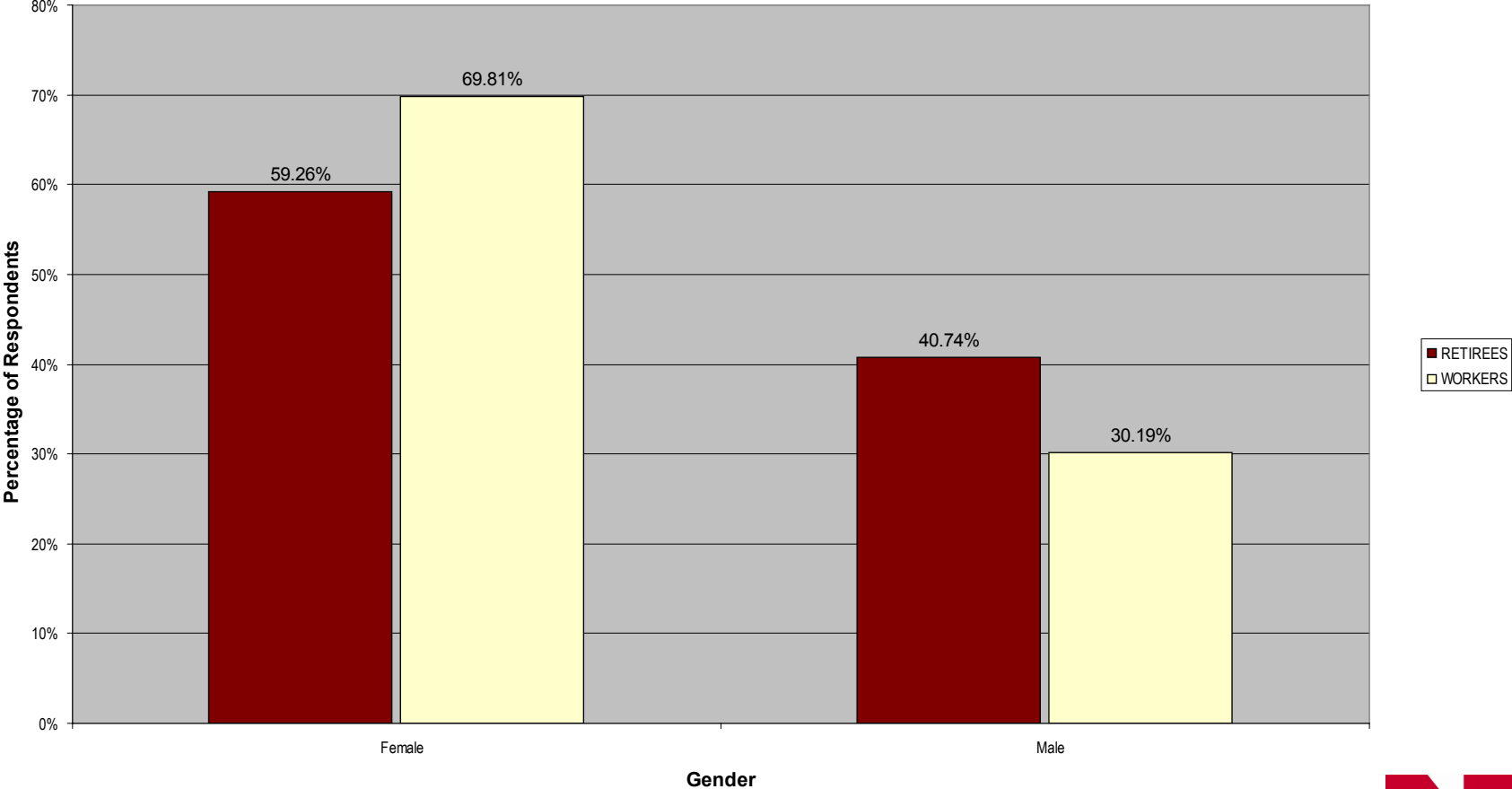
Descriptive Statistics

Distribution Type Among Survey Respondents (N=79)



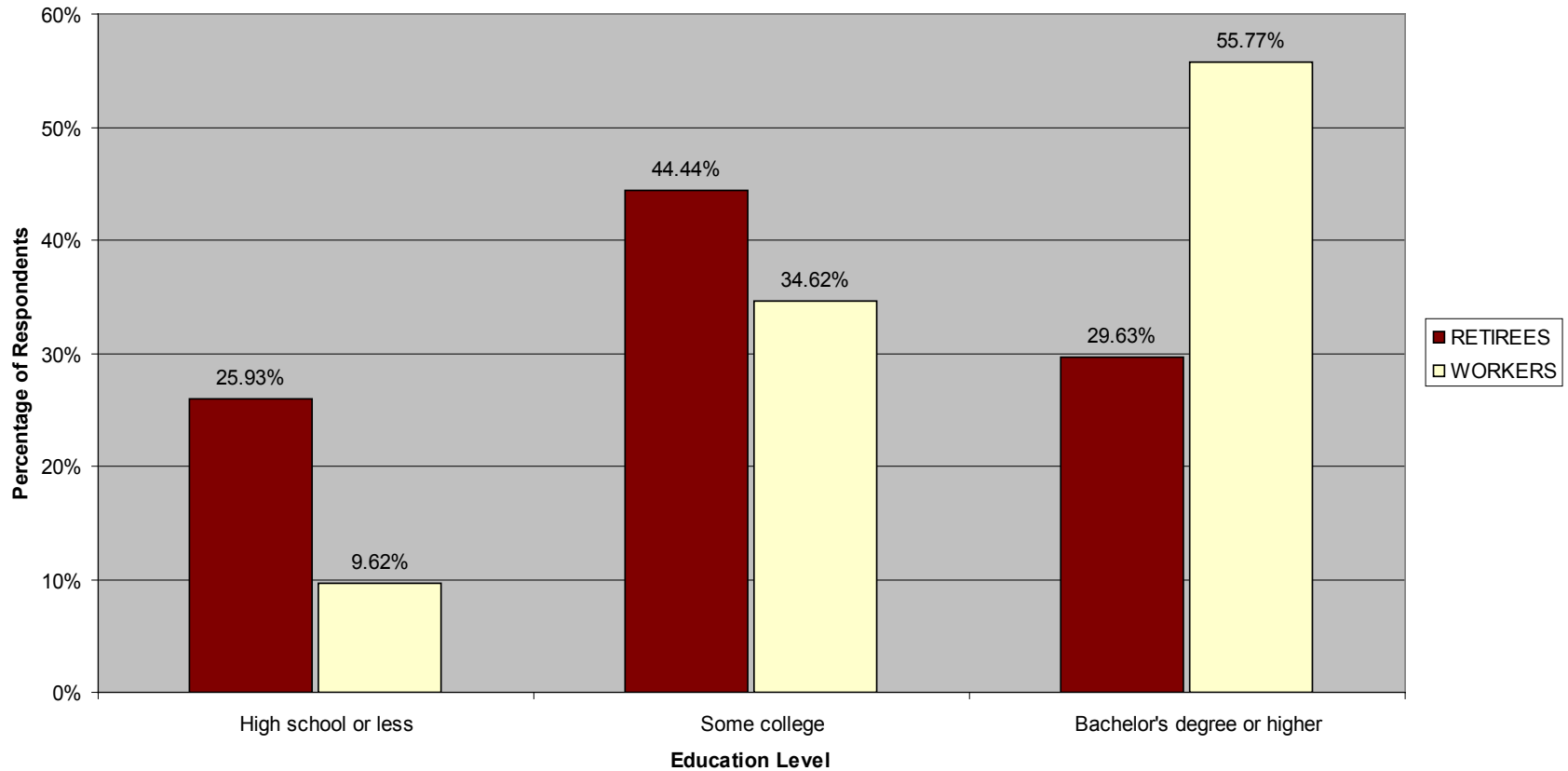
Descriptive Statistics

Gender Breakdown Among Survey Respondents (N=80)



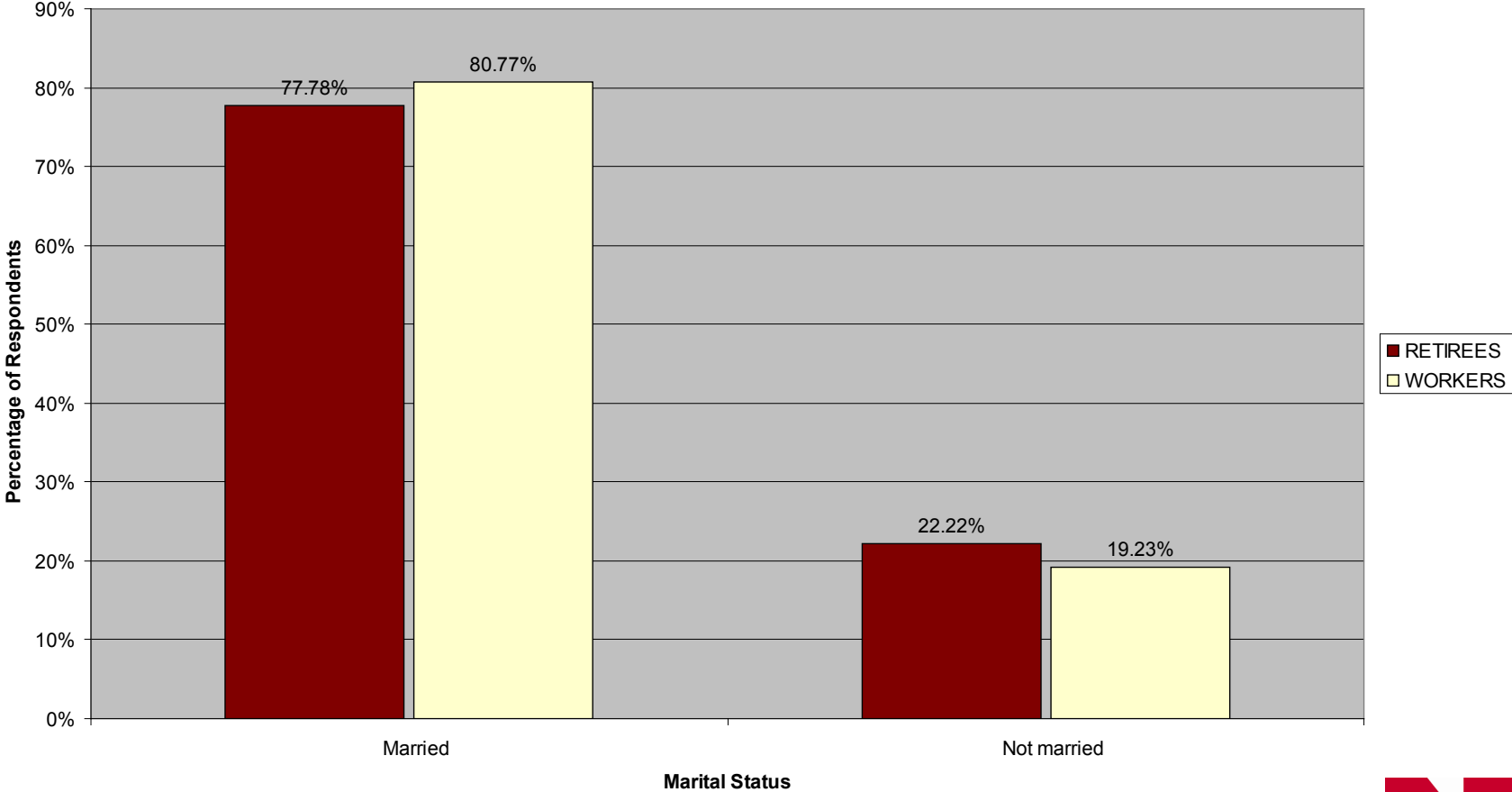
Descriptive Statistics

Education Level Among Survey Respondents (N=79)



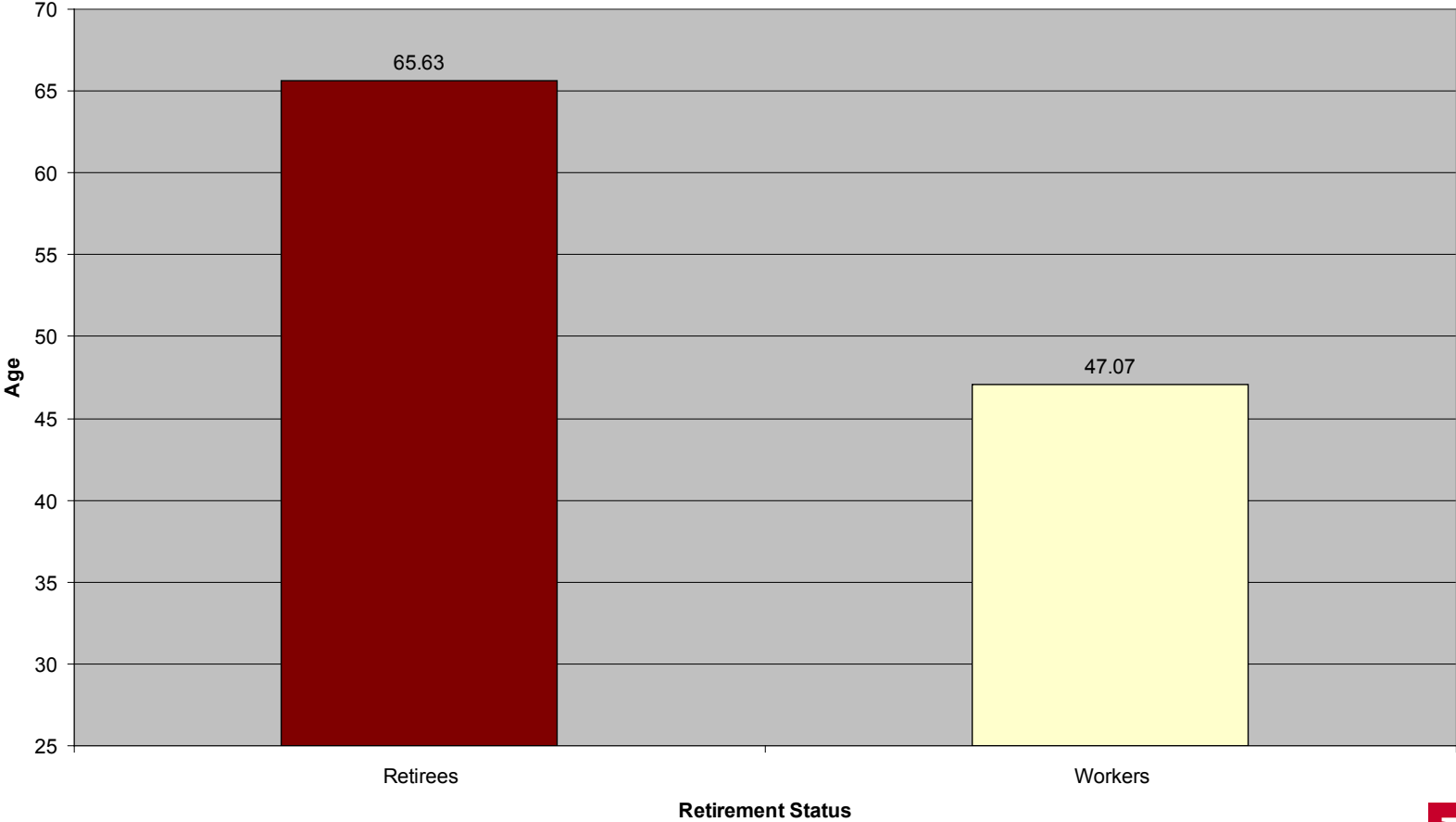
Descriptive Statistics

Marital Status Among Survey Respondents (N=79)



Descriptive Statistics

Mean Age Among Survey Respondents

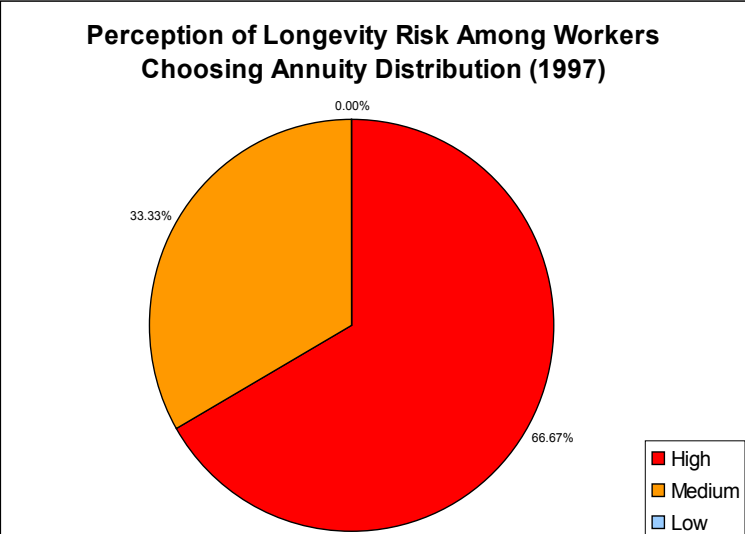
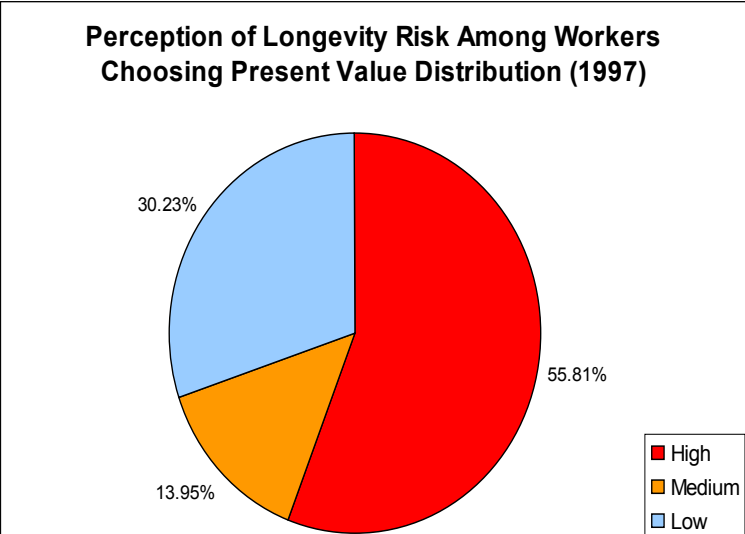
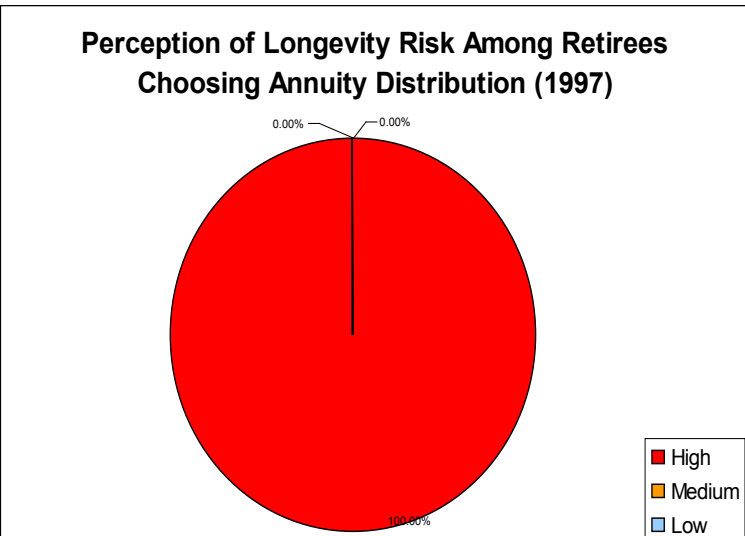
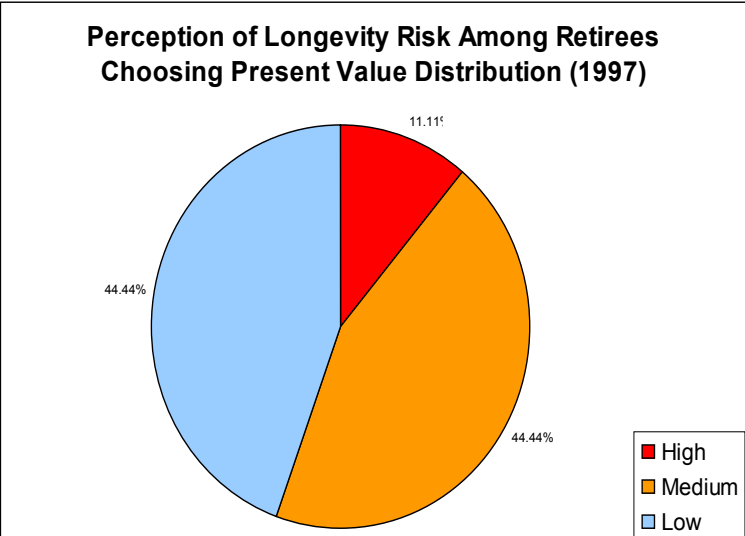


Risk Perceptions Surveyed

- Comparison of 1997 Perception and “Self-Evaluation” in 2007
- Retiree v. Worker, by Type of Distribution
- Risk Factors:
 - Longevity
 - Inflation
 - Investment
 - Medical Expense
 - Long-Term Care (LTC) Expense



Risk Perception: Longevity Retirees v. Workers (1997)



Self-Evaluation of Longevity Risk by Retirees (2007)

- Estimated too low in 1997 (16.67%)
- Estimated about right in 1997 (62.50%)
- Estimated too high in 1997 (0.00%)
- Doesn't Apply (20.83%)



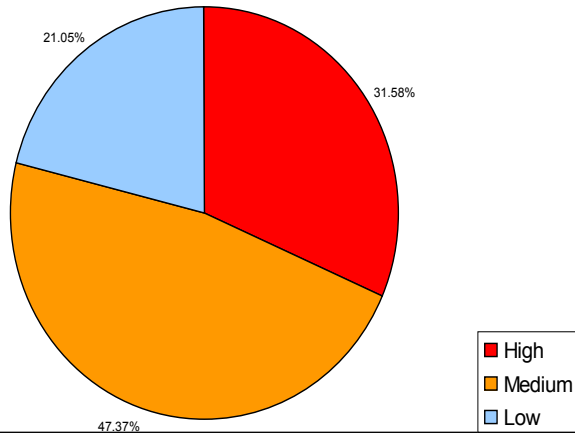
Self-Evaluation of Longevity Risk by Workers (2007)

- Estimated too low in 1997 (28.85%)
- Estimated about right in 1997 (46.15%)
- Estimated too high in 1997 (3.85%)
- Doesn't Apply (21.15%)

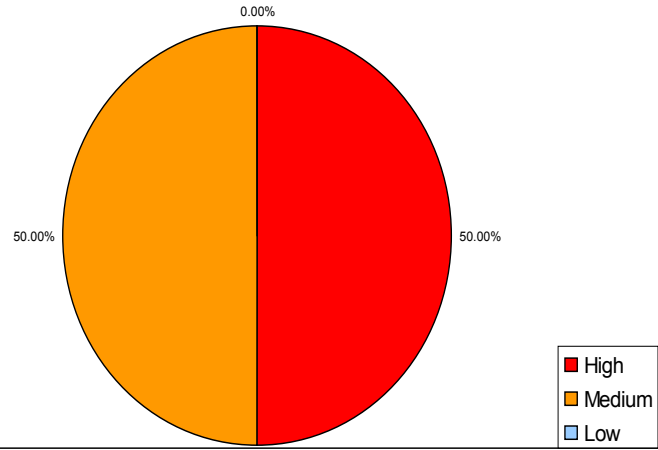


Risk Perception: Inflation Retirees v. Workers (1997)

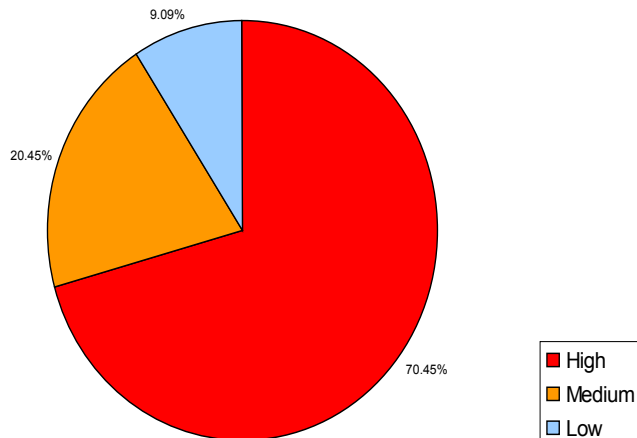
Perception of Inflation Risk Among Retirees
Choosing Present Value Distribution (1997)



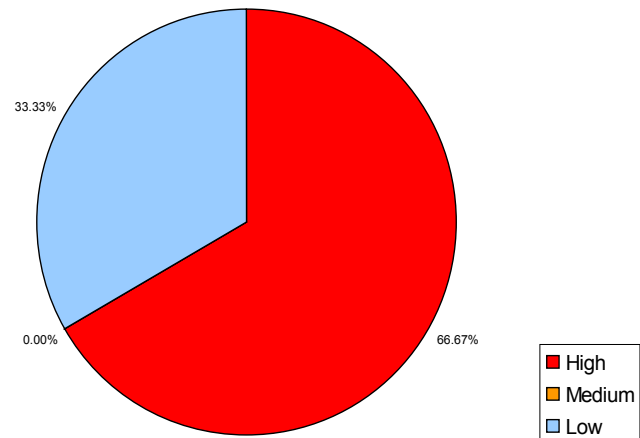
Perception of Inflation Risk Among Retirees
Choosing Annuity Distribution (1997)



Perception of Inflation Risk Among Workers
Choosing Present Value Distribution (1997)



Perception of Inflation Risk Among Workers
Choosing Annuity Distribution (1997)



Self-Evaluation of Inflation Risk by Retirees (2007)

- Estimated too low in 1997 (45.83%)
- Estimated about right in 1997 (45.83%)
- Estimated too high in 1997 (0.00%)
- Doesn't Apply (8.33%)



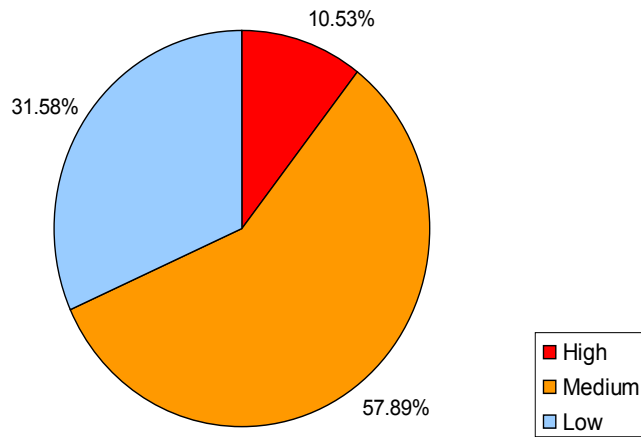
Self-Evaluation of Inflation Risk by Workers (2007)

- Estimated too low in 1997 (26.92%)
- Estimated about right in 1997 (46.15%)
- Estimated too high in 1997 (11.54%)
- Doesn't Apply (15.38%)

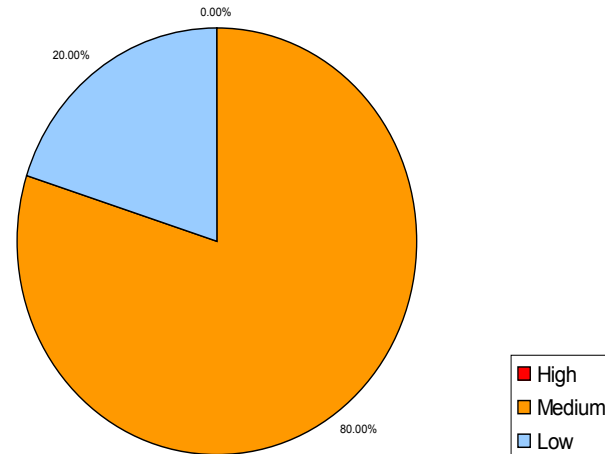


Risk Perception: Investment Retirees v. Workers (1997)

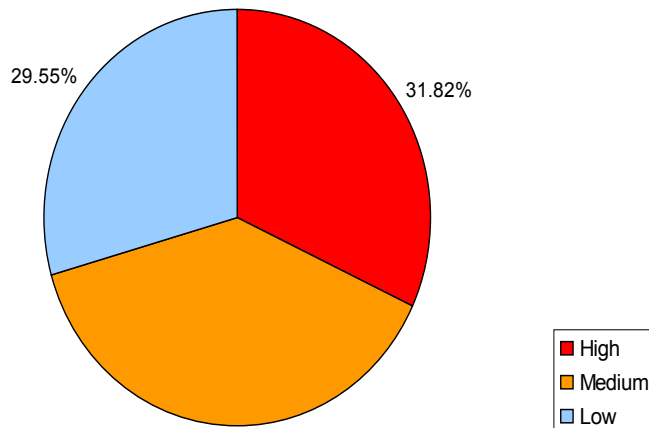
Perception of Investment Risk Among Retirees Choosing Present Value Distribution (1997)



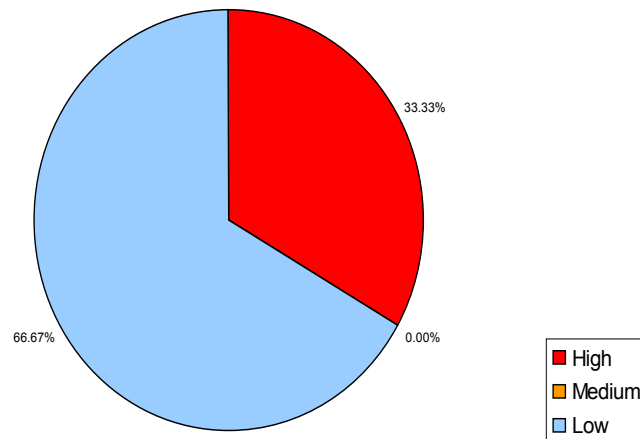
Perception of Investment Risk Among Retirees Choosing Annuity Distribution (1997)



Perception of Investment Risk Among Workers Choosing Present Value Distribution (1997)



Perception of Investment Risk Among Workers Choosing Annuity Distribution (1997)



Self-Evaluation of Investment Risk by Retirees (2007)

- Estimated too low in 1997 (29.17%)
- Estimated about right in 1997 (41.67%)
- Estimated too high in 1997 (20.83%)
- Doesn't Apply (8.33%)



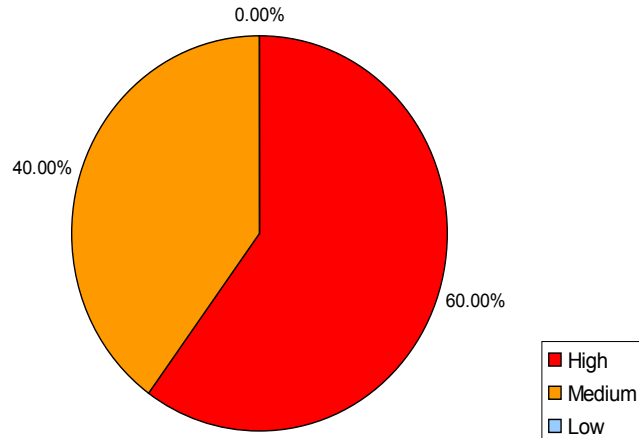
Self-Evaluation of Investment Risk by Workers (2007)

- Estimated too low in 1997 (30.77%)
- Estimated about right in 1997 (44.23%)
- Estimated too high in 1997 (13.46%)
- Doesn't Apply (11.54%)

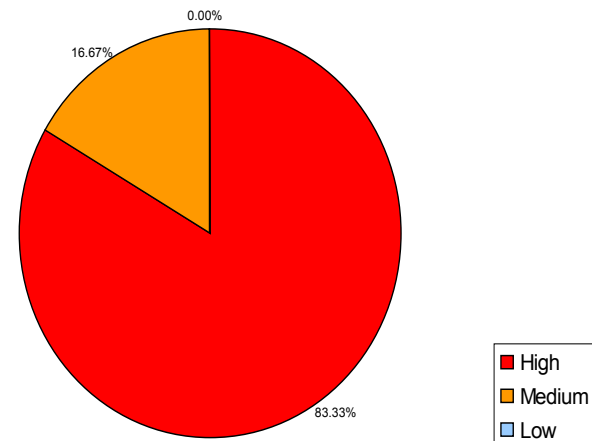


Risk Perception: Medical Expense Workers v. Retirees (1997)

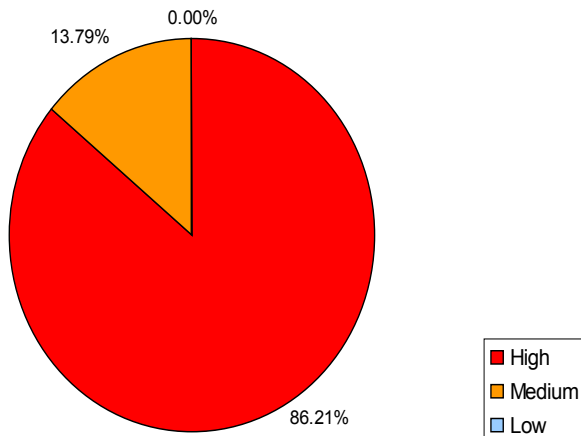
Perception of Medical Expense Risk Among Retirees
Choosing Present Value Distribution (1997)



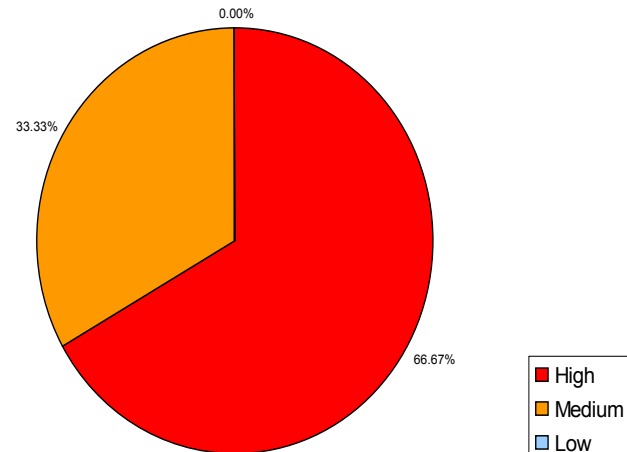
Perception of Medical Expense Risk Among Retirees
Choosing Annuity Distribution (1997)



Perception of Medical Expense Risk Among Workers
Choosing Present Value Distribution (1997)



Perception of Medical Expense Risk Among Workers
Choosing Annuity Distribution (1997)



Self-Evaluation of Medical Expense Risk by Retirees (2007)

- Estimated too low in 1997 (65.39%)
- Estimated about right in 1997 (23.08%)
- Estimated too high in 1997 (3.85%)
- Doesn't Apply (7.69%)

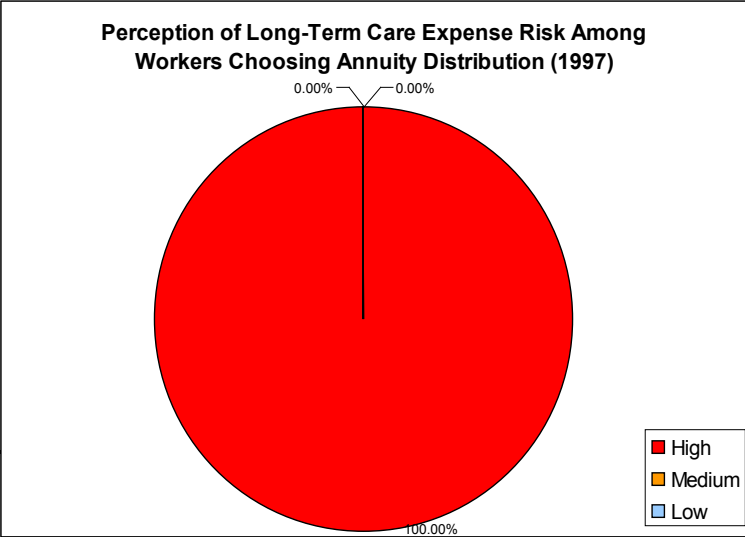
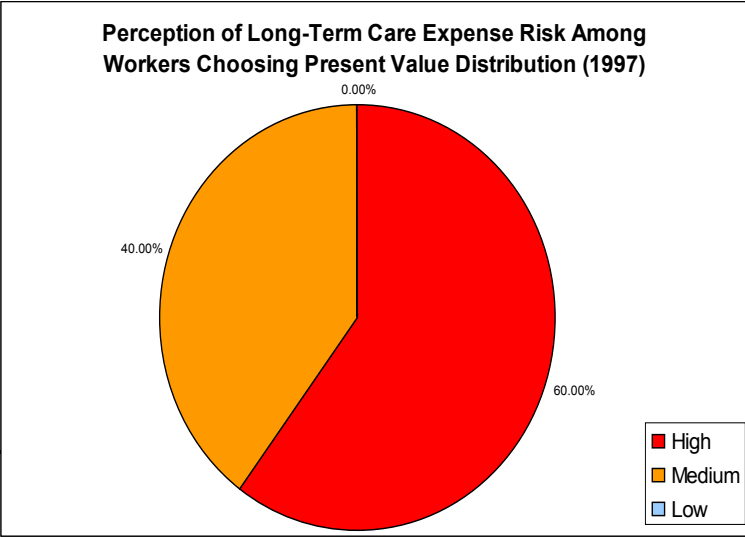
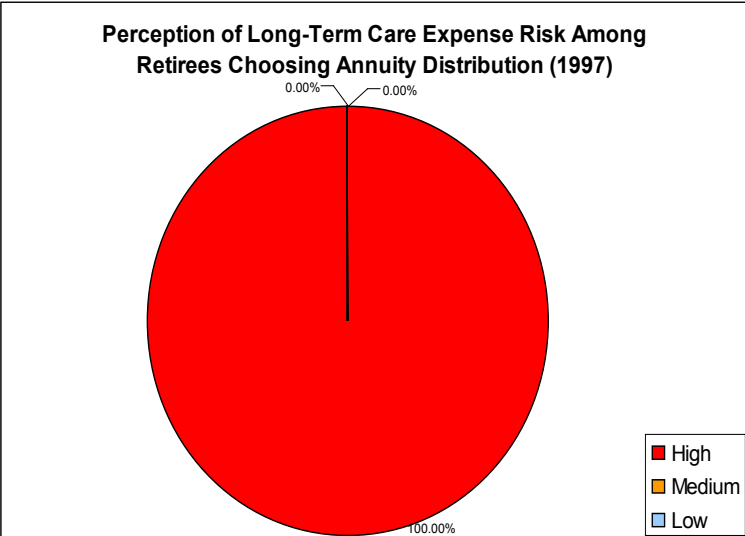
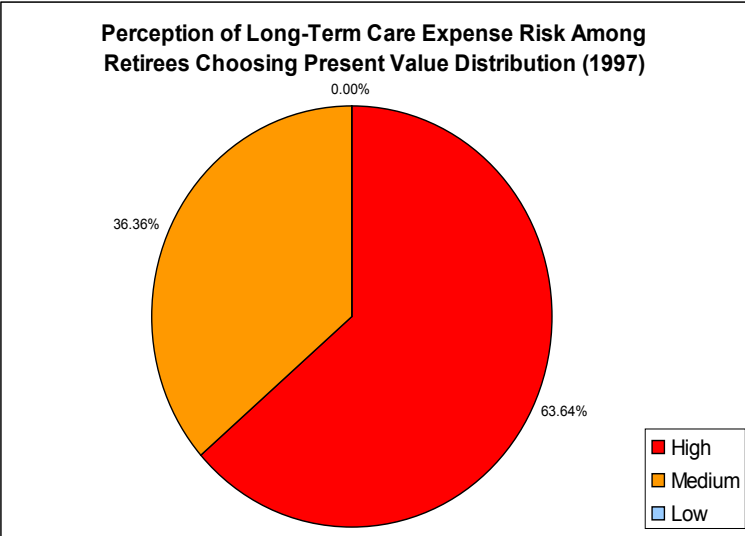


Self-Evaluation of Medical Expense Risk by Workers (2007)

- Estimated too low in 1997 (40.38%)
- Estimated about right in 1997 (23.08%)
- Estimated too high in 1997 (13.46%)
- Doesn't Apply (23.08%)



Risk Perception: LTC Expense Retirees v. Workers (1997)



Self-Evaluation of LTC Expense Risk by Retirees (2007)

- Estimated too low in 1997 (36.00%)
- Estimated about right in 1997 (20.00%)
- Estimated too high in 1997 (4.00%)
- Doesn't Apply (40.00%)



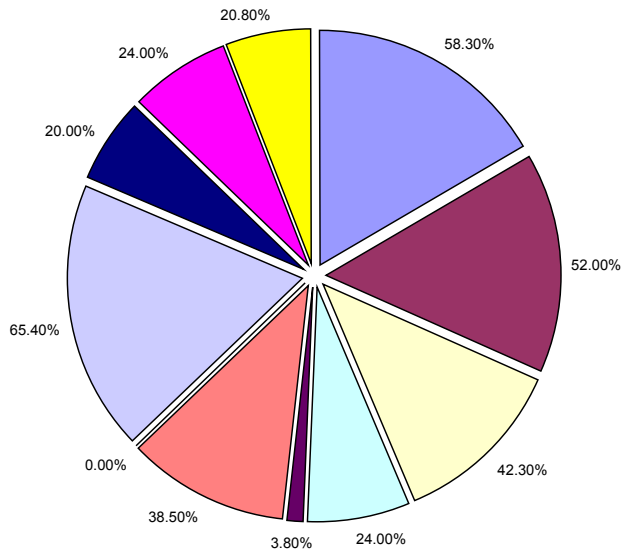
Self-Evaluation of LTC Expense Risk by Workers (2007)

- Estimated too low in 1997 (21.15%)
- Estimated about right in 1997 (13.46%)
- Estimated too high in 1997 (1.92%)
- Doesn't Apply (63.46%)

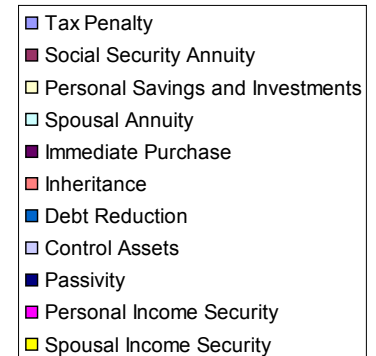
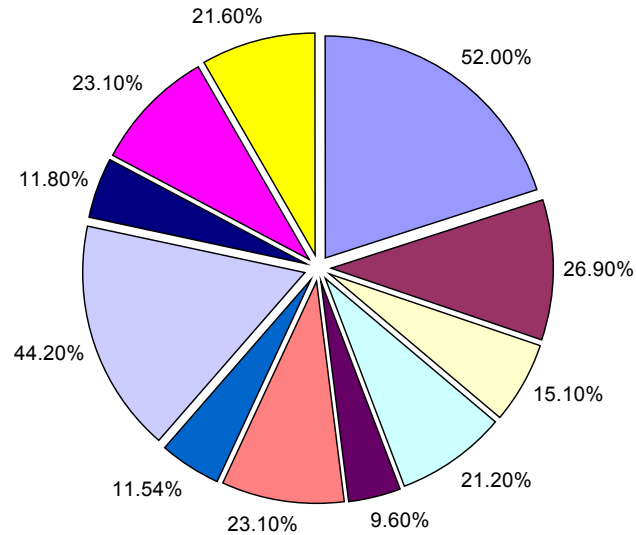


Major Motivating Factors in the Distribution Decision

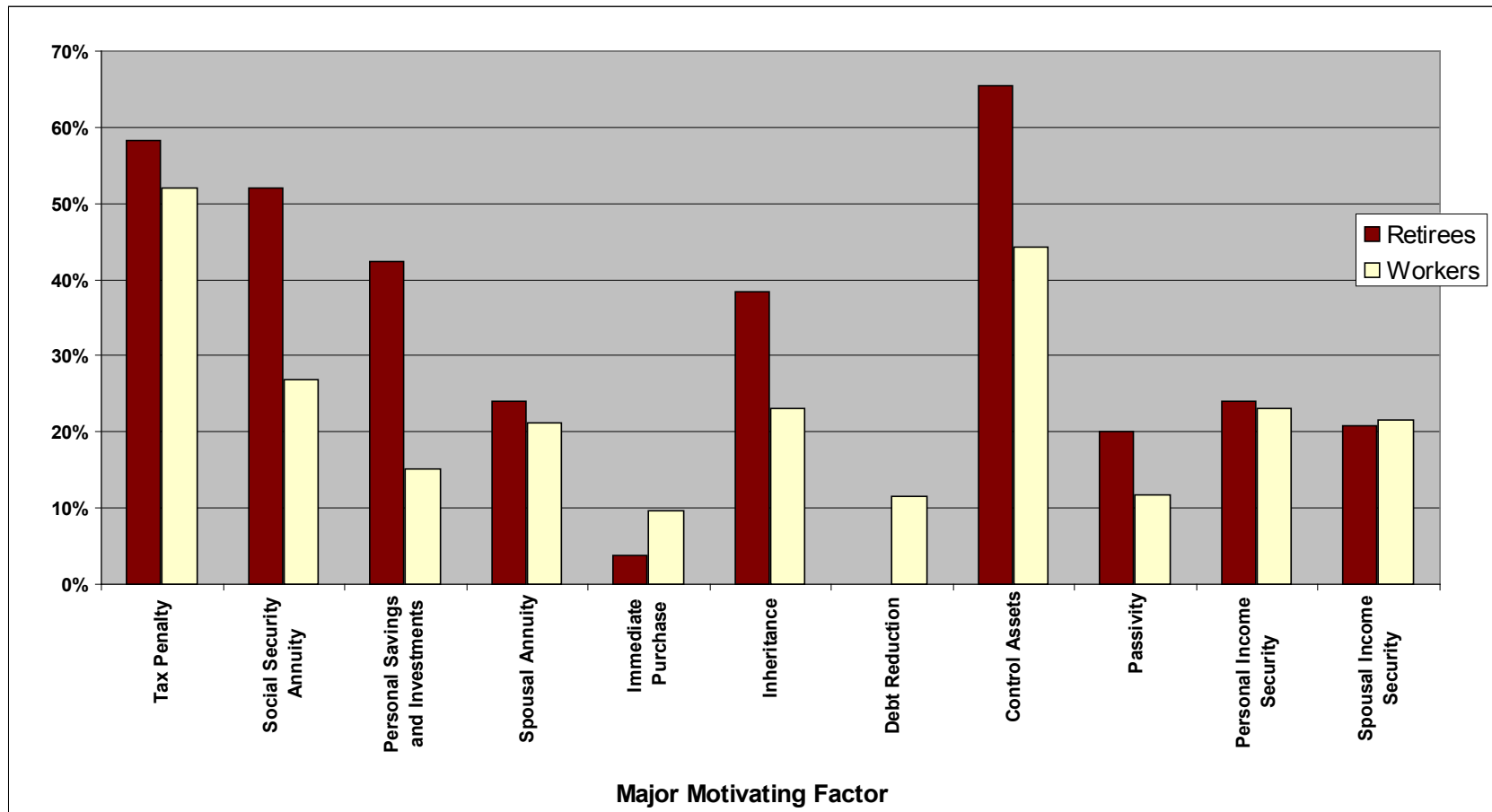
Among Retirees (1997)



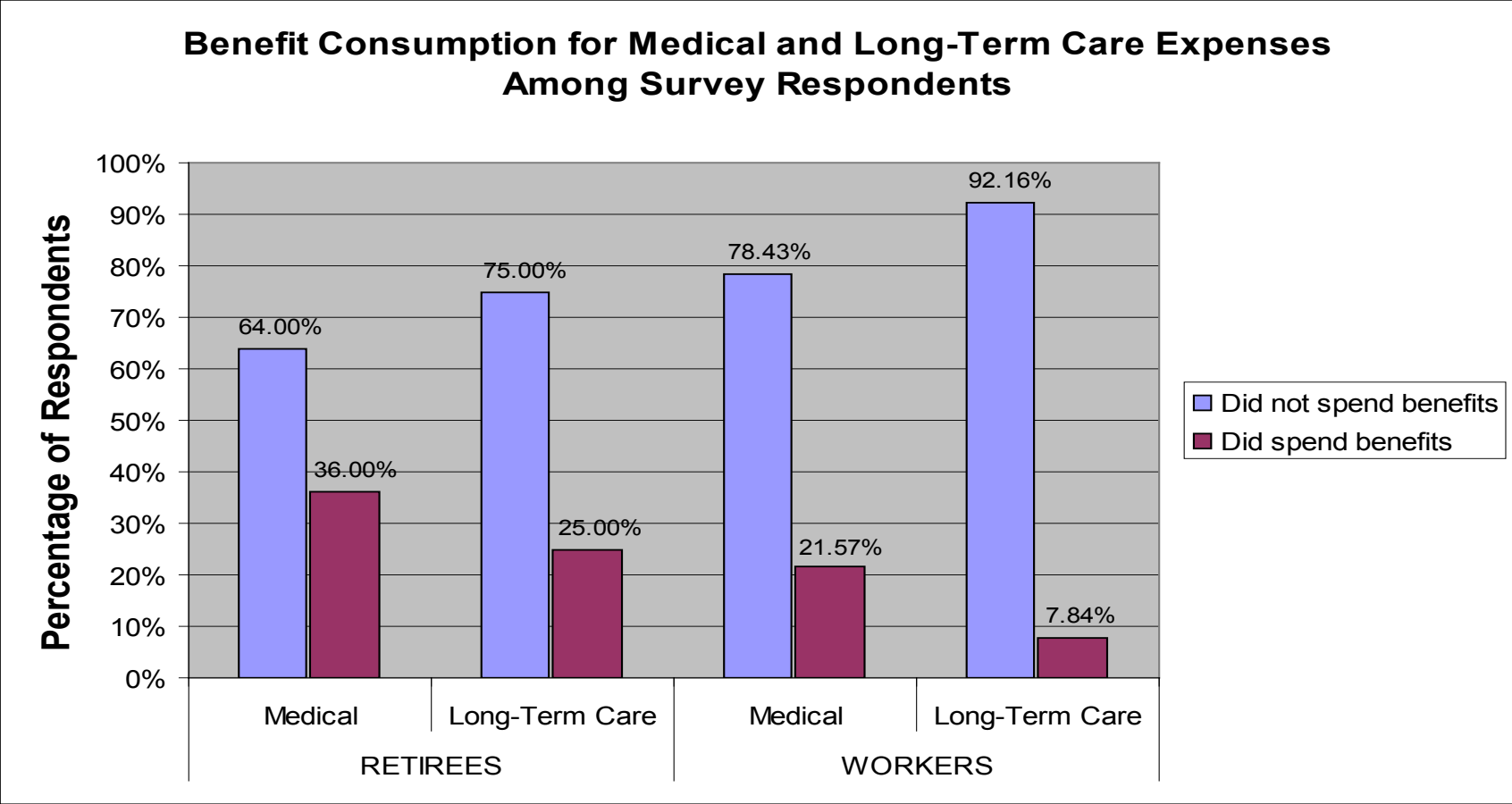
Among Workers (1997)



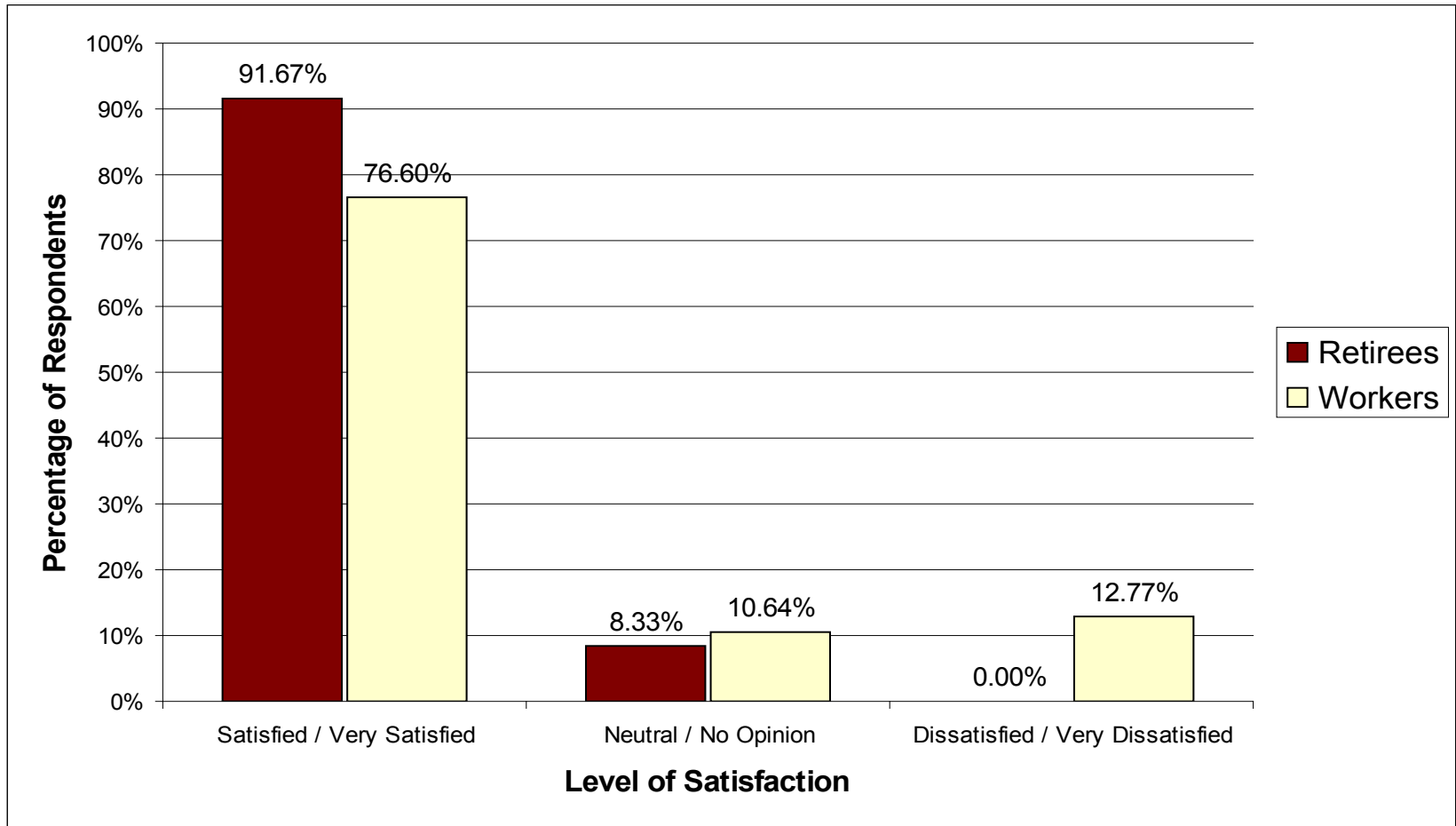
Comparison of Major Motivating Factors: Retirees v. Workers



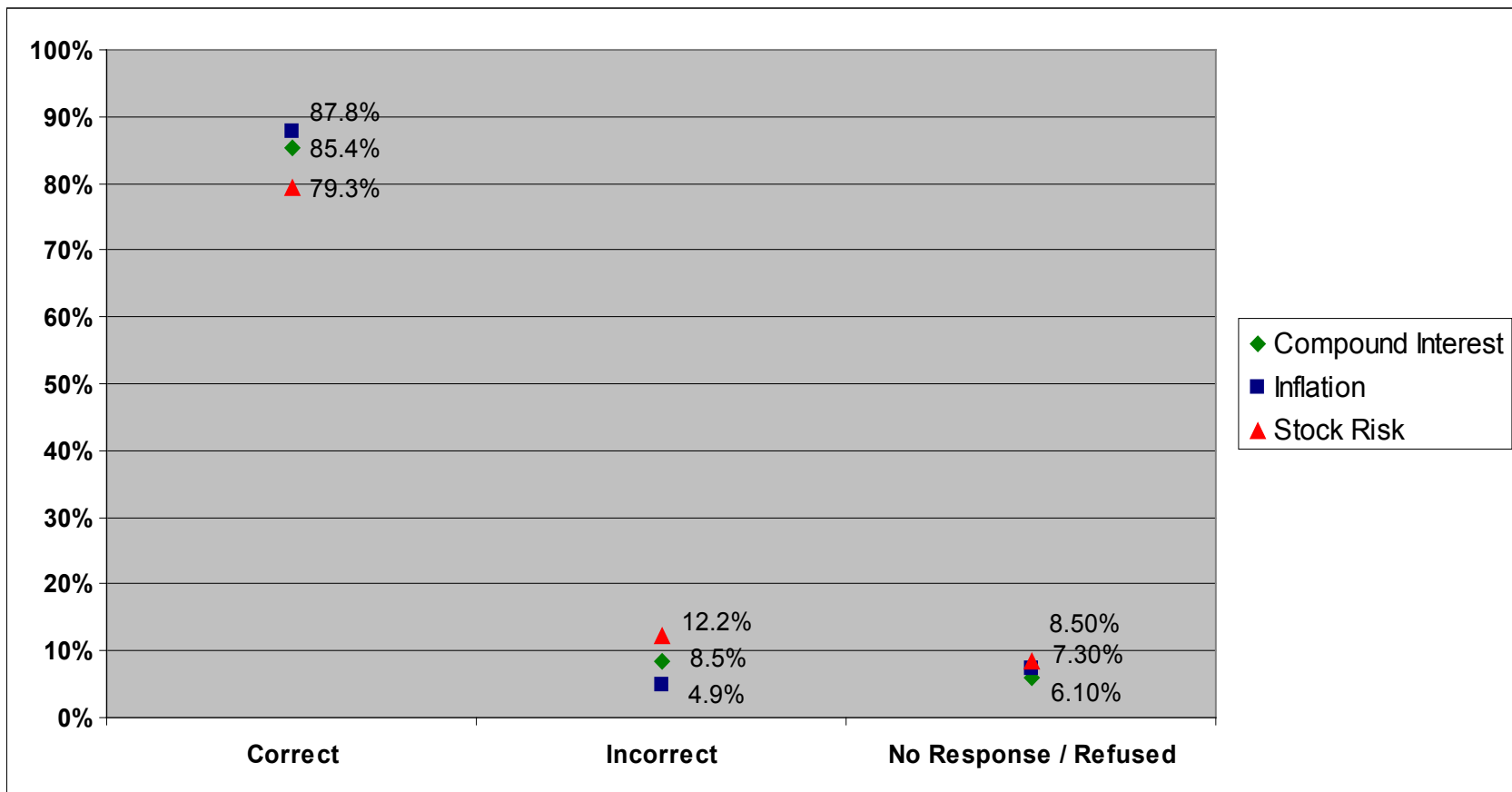
Benefits Spent on Medical/LTC Expenses



Satisfaction with Distribution Decision



Responses to Financial Literacy Questions



Comparison with HRS Module Results on Financial Literacy

NPERS (% correct)

- Compound Interest (85.4%)
- Inflation (87.8%)
- Stock Risk (79.3%)
- All three Q's correct (74.0%)

HRS (% correct)

- Compound Interest (67.1%)
- Inflation (75.2%)
- Stock Risk (52.3%)
- All three Q's correct (34.3%)



Summary of Conclusions from Preliminary Data

- Participants need a better understanding of medical expense risk during retirement.
- Federal tax and social security policy plays an important role in the distribution decision.
- Financially literate individuals appear to be successful in managing a present value distribution of benefits during the early retirement years.



Questions for Further Research

- What demographic cross-tabulations are of interest?
- How do individuals resolve competing perceptions of high risks (e.g., longevity and inflation when the annuity option does not have a COLA feature)?
- How do individuals resolve competing motivational factors?
- Can financial products be created so that an annuity feature is integrated with other desirable features (e.g., a measure of control over the investment of assets)?

