TRANSAMERICA CENTER
FOR RETIREMENT STUDIES®

Weathering the Economic Storm: Retirement Plans in the United States, 2007-2012

13th Annual Transamerica Retirement Survey

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About the Center

- The Transamerica Center for Retirement Studies® ("The Center") is a non-profit, private foundation dedicated to educating the public on emerging trends surrounding retirement security in the United States. The Center's research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes.

- The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. For more information about The Center, please refer to www.transamericacenter.org.

- The Center and its representatives cannot give ERISA, tax, investment or legal advice. This material is provided for informational purposes only and should not be construed as ERISA, tax, investment or legal advice. Interested parties must consult and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here.

- Although care has been taken in preparing this material and presenting it accurately, The Center disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.

About the Survey

- Since 1998, the Transamerica Center for Retirement Studies® has conducted a national survey of U.S. business employers and workers regarding their attitudes toward retirement. The overall goals for the study are to illuminate emerging trends, promote awareness, and help educate the public.

- Harris Interactive was commissioned to conduct the Thirteenth Annual Retirement Survey for Transamerica Center for Retirement Studies®. Transamerica Center for Retirement Studies® is not affiliated with Harris Interactive.

About the Author

Catherine Collinson serves as President of the Transamerica Center for Retirement Studies,® and is a retirement and market trends expert and champion for Americans who are at risk of not achieving a financially secure retirement. Catherine oversees all research and outreach initiatives, including the Annual Transamerica Retirement Survey.

With over 15 years of retirement services experience, Catherine has become a nationally recognized voice on retirement trends for the industry. She has testified before Congress on matters related to employer-sponsored retirement plans among small businesses, highlighting the need to raise awareness of the Saver's Credit among those who would benefit most from the important tax credit. Catherine is regularly cited by top media outlets on retirement-related topics. Her expert commentary has appeared in major publications, including: The Wall Street Journal, U.S. News & World Report, USA Today, Money, The New York Times, The Huffington Post, Kiplinger's, CBS MoneyWatch, Los Angeles Times, Chicago Tribune, Employee Benefits News and HR Magazine. She has also appeared on PBS' "Nightly Business Report," NPR's "Marketplace" and CBS affiliates throughout the country. Catherine speaks at major industry conferences each year, having appeared at events hosted by organizations including PSCA, LIMRA, SVIA and PLANSPONSOR. She also authors articles published in leading industry journals, such as ASPPA, SPARK and PSCA.

Catherine is currently employed by Transamerica Retirement Services and serves as Senior Vice President of Strategic Planning. Since joining the organization in 1995, she has been instrumental in identifying and evaluating short- and long-term strategic growth initiatives, developing business plans and building infrastructure to support the company's high-growth strategy in the 401(k) market.

Employer Survey Methodology (2012)

- A telephone survey was conducted among a nationally representative sample of 750 employers. Potential respondents were targeted based on job title at for-profit companies and met the following criteria:
  - Business executives who make decisions about employee benefits at his or her company
  - Employ 10 or more employees across all locations
- 19-minute telephone interviews were conducted between February 23, 2012 and April 2, 2012.
- Quotas were set for large and small companies. The results were weighted as needed on employee size using weighting targets from the Dun & Bradstreet database to ensure each quota group had a representative sample based on the number of companies in each employee size range. A full methodology is available.
- Percentages were rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.
- Significance is tested at a 95% confidence level. No estimates of theoretical sampling error can be calculated.
- The base size was 300 for large companies and 450 for small companies. Other reduced bases have been noted throughout the report.

Worker Survey Methodology (2012)

- A 22-minute online survey was conducted between January 13 - 31, 2012 among a nationally representative sample of 3,609 full-time and part-time workers using the Harris online panel. Respondents met the following criteria:
  - U.S. residents, age 18 or older
  - Full-time or part-time workers in a for-profit company employing 10 or more people

- Data were weighted as follows:
  - To account for differences between the population available via the Internet versus by telephone.
  - To ensure that each quota group had a representative sample based on the number of employees at companies in each employee size range.

- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding.

Un/Underemployed Survey Methodology (2012)

- A 10-minute, online survey was conducted between February 2 - 10, 2012 among a nationally representative sample of 621 unemployed (n=367) or underemployed (n=254) people using the Harris Interactive online panel. Respondents met the following criteria:
    - U.S. residents, age 18 or older
    - People who were fully employed in a for-profit company employing 10 or more people and are currently unemployed or underemployed
- Data were weighted as follows:
    - To ensure that each quota group is a representative sample based on the length of time people were underemployed or unemployed.
    - To account for differences between the population available via the Internet versus by telephone.
- Percentages are rounded to the nearest whole percent. Differences in the sums of combined categories/answers are due to rounding. Significance is tested at a 95% confidence level. No estimates of theoretical sampling error can be calculated.
- This report focuses on unemployed and underemployed combined.

Terminology

This report uses the following terminology:

- Small Company: 10 to 499 employees
- Large Company: 500 or more employees

- Echo Boomer: Born 1979 – 1988
- Generation X: Born 1965 – 1978
- Baby Boomer: Born 1946 – 1964
- Mature: Born before 1946

Weathering the Economic Storm:
Retirement Plans in the United States, 2007-2012

Foreword

Economists will be researching the economic events of 2007 to 2012 for many decades in order to better understand the factors leading up to what is commonly referred to as the Great Recession, how long it lasted, and its long-term implications for our society.

The 13th Annual Transamerica Retirement Survey's debut report entitled, *Redefining Retirement: The New 'Retirement Readiness,'* released in May 2012, outlines how workers' expectations of retirement have changed as a result of the Great Recession, offers a new blueprint for and definition of 'retirement readiness' in light of such changes, and provides insights into how workers, employers, the retirement industry, media, and policymakers can help Americans improve their outlook for retirement.

The past five years have brought a multitude of challenges to American workers including high rates of unemployment and underemployment, dramatic declines in home values, volatility in the financial markets, and the double-edged sword of a low interest rate environment which provides for favorable lending rates, but nominal investment returns on savings accounts and other conservative investments.

Long before the recent economic turmoil, retirement experts voiced concerns that American workers were not adequately saving for retirement. Now, as our nation is facing the fallout of the Great Recession and a time in which the demographic tidal wave of Baby Boomers is nearing retirement, such concerns about retirement security are even greater than ever. Experts, policymakers, media – and even everyday people – have recognized the crisis and are questioning the current retirement system, how to improve workplace retirement plans, and what is the best way to help ensure Americans are adequately prepared for retirement.

The Transamerica Center for Retirement Studies® has researched and prepared this new report entitled, *Weathering the Economic Storm: Retirement Plans in the U.S., 2007-2012*, to evaluate how American workers and employer-sponsored retirement plans have fared through difficult times, as well as offer opportunities to help improve retirement readiness.

Key Highlights

The Transamerica Center for Retirement Studies®, as part of its 13th Annual Retirement Survey, has prepared *Weathering the Economic Storm: Retirement Plans in the U.S., 2007-2012* to help illuminate how American workers and company-sponsored retirement plans have fared during these past five difficult years. Many may be surprised that this research report's findings bring some good news and perhaps less bad news than might be expected. The report also surfaces opportunities that can make a meaningful impact on Americans' retirement readiness without sweeping legislation or widespread reforms.

What is not surprising, the Transmerica Center for Retirement Studies® found that the majority of employers have made difficult cost-cutting decisions during the last five years including downsizing, layoffs, salary freezes, and other cutbacks. Fortunately, this year's survey found that the trend is starting to reverse as evidenced by the majority of employers responding, "none of the above" when asked about cost-cutting measures undertaken in the past twelve months.

Unlike more extreme cost-cutting measures (e.g., downsizing, layoffs), retirement benefits have remained relatively intact with the notable exception that the number of companies that offer defined benefit plans or "traditional pension plans" declined from 19 percent (2007) to 16 percent (2012). The survey found these encouraging indicators:

- The vast majority of employers, at 82 percent (2012), consider a retirement plan an important benefit for attracting and retaining employees;
- Employers offering a 401(k), or similar plan has increased from 72 percent (2007) to 82 percent (2012), which was mostly attributable to small companies with 10 to 499 employees and is more likely due to the closings of smaller, unstable businesses who did not offer a plan versus healthy businesses adopting new plans;
- Employers offering matching contributions to their 401(k) or similar plan dropped from 80 percent (2007) to 70 percent (2012); however, of the 17 percent who said they decreased or suspended their match since 2008, half had already reinstated it;
- Large companies offering "automatic" features increased from 31 percent (2007) to 45 percent (2012) and, among them, 84 percent have adopted a Qualified Default Investment Alternative (QDIA); and
- Companies adopting the Roth feature to their 401(k)s has increased from 19 percent (2007) to 32 percent (2012).

Key Highlights

While employers have remained committed to offering retirement benefits and employer-sponsored retirement plans have weathered the economic storm, American workers have continued saving for retirement. Among workers who are offered a 401(k) or similar plan, participation rates have remained strong and steady at 77 percent; and, in 2012, annual salary deferral rates returned to their 2007 level of 7 percent (median) after having dipped to 6 percent (median) in 2009/10 and 2011. Some workers have taken loans or hardship withdrawals from their accounts. Unfortunately, many workers who became unemployed or underemployed took early distributions from their accounts.

Workers reported significant increases in total household retirement savings (estimated median) between 2007 and 2012. A comparison of account balances by workers' generation found the following:

Total Savings in Household Retirement Accounts (Estimated Median)	2007	2012
Echo Boomers	$8,615	$15,213
Gen X	$32,106	$41,821
Baby Boomers	$74,781	$99,320

Comparing each generation, the increase in total household retirement savings (estimated median) between 2007 and 2012 was highest for Echo Boomers at 77 percent. GenX reported an increase of 30 percent and Baby Boomers an increase of 33 percent. Absent other facts, this type of growth seems impressive. If this growth is as good as it appears, it should serve to illustrate the strength and success of the current retirement system especially given the extremely difficult challenges in the economy.

Despite the impressive gains reported in total household retirement savings, the survey found in 2007 and in 2012 that current levels of savings are inadequate for many workers to meet their future retirement income needs. Prior to the Great Recession, workers' confidence in their ability to retire with a comfortable lifestyle was low – and now it is even lower. Perhaps it is the combination of general economic uncertainty and increased awareness of the amount needed in retirement that has fueled workers' decline in confidence.

Key Highlights

Today, many workers are planning to work longer and delay retirement. The survey found that the majority of workers (56 percent) plan to work past age 65, including 43 percent who plan to work past age 70 or do not plan to retire. More than half (54 percent) plan to continue working after they retire. Yet only one in five has a back-up plan if forced into retirement sooner than expected.

Employers will continue to play a vital role in helping workers save for retirement by offering retirement plans along with education and planning tools and retirement income options. Moreover, with so many workers planning to work longer, employers can offer opportunities to help older workers extend their working years and their transition into retirement.

Critics of the current retirement system highlight perceived shortcomings.   Are these critics right – are 401(k)s really inadequate for American workers? Many of the challenges faced by the current system, including susceptibility to adverse economic conditions, would be faced by almost any of the alternative systems being proposed. Any system that relies on employee contributions, as most of the proposals do, will encounter the same challenges in educating employees about the need to save, and providing sufficient savings incentives to cash-strapped individuals and families. This report identifies compelling successes of the current system's employer-based retirement plans, including 401(k) or similar plans, in helping workers to save for retirement.

More can and should be done to improve the current retirement system, especially to encourage more employers to adopt plans and to improve workers' participation and savings rates. The responsibility for making improvements to 401(k) plans and the current retirement system is shared among employers, retirement plan providers, policymakers, and workers.

Working together, employers, retirement plan providers, and policymakers can help workers mitigate any adverse impacts of market volatility and economic declines by offering education, investment fund options, and retirement income solutions and helping them to adequately save for retirement and ultimately achieve retirement readiness. This report underscores that any shortcomings of the current system may be addressed by improvements that can very readily be made – if we all work together.

Key Highlights

The following outlines recommendations which are supported by the opportunities identified in this report.

Recommendations for Employers (with their Retirement Plan Providers)

1. Offer a retirement plan if not already in place. And, if in place, extend eligibility to all employees, including part-time employees.
2. Proactively encourage participation in existing retirement plans. Consider adding automatic enrollment and automatic escalation features to increase participation rates and salary deferral rates.
3. Add, increase and/or reinstate matching contributions to 401(k) plans. Consider structuring match to promote higher salary deferrals (as a hypothetical example, instead of just matching 50 percent on the first 6 percent of deferrals, consider adding a small match – such as 10 percent or 15 percent – on the deferrals between 6 and 10 percent).
4. Assess educational offerings to determine whether they are meeting the needs of all employees, especially those employees who may find materials and concepts difficult to understand, and make any necessary changes accordingly. Make them easier to understand.
5. Promote the educational resources offered by the company’s retirement plan provider and encourage employees to take advantage of them. Also, consider:
    a. Implementing an educational campaign to help workers get “back on track” with their retirement – or simply reposition existing educational offerings with messaging about the importance of getting “back on track.”
    b. Establishing an annual 401(k) retirement readiness check-up at the same time of year as healthcare open enrollment.
6. Offer pre-retirees greater levels of assistance in planning their transition into retirement – including the need for a back-up plan if they find themselves retiring sooner than expected due to unforeseen circumstances.
7. Promote awareness of the Saver’s Credit and Catch-Up Contributions.

Recommendations for Policymakers

1. Pursue legislative and regulatory initiatives to expand qualified retirement plan coverage for all workers including part-time workers:
    a. Implement reforms to multiple employer plans to facilitate the opportunity for small business employers to join existing plans to achieve economies of scale similar to large employers;
    b. Expand the tax credit for employers to start a plan; and
    c. Provide incentives to encourage plan sponsors to cover part-time workers.

Key Highlights

Recommendations for Policymakers (continued)

2. Expand the Saver's Credit by raising the income eligibility requirements so that more tax filers are eligible.
3. Extend the 401(k) loan repayment period for terminated plan participants and eliminate the six-month suspension period following hardship withdrawals.
4. Increase workers' awareness of and ability to have their account distributed in a lifetime income stream (e.g., requiring plan statements with estimated retirement income, facilitating the ability of plans to both offer an annuity as a distribution option and to have an in-plan annuity as an investment option).
5. For automatic enrollment, raise the safe harbor default contribution rate to a level higher than the current 3 percent.
6. Target outreach campaigns to the demographic segments at greatest risk to help improve savings rates.
7. Help workers ease their transition to retirement by facilitating phased retirement.

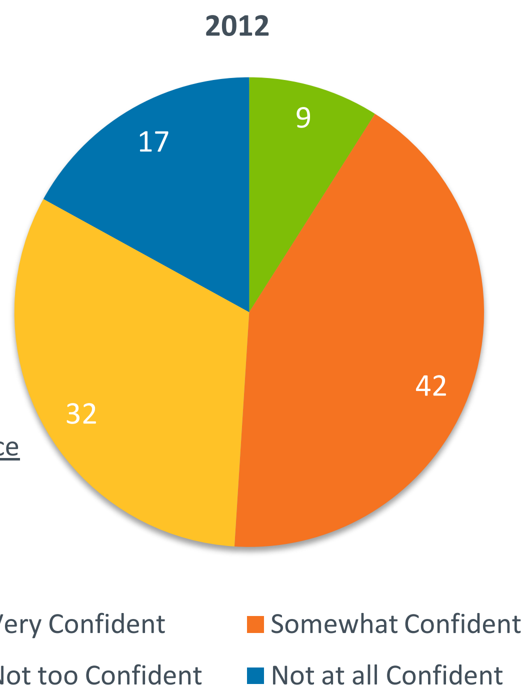
Recommendations for Workers

1. Calculate your retirement savings needs – and save at a level to achieve those needs.
2. Develop a retirement strategy and write it down. Envision your future retirement, formulate a goal for how much you will need to save each year (be sure to include employer-sponsored retirement plans and outside savings), and factor living expenses, healthcare needs, long-term care, and government benefits.
3. Get educated about retirement investing. Seek professional assistance if needed. Learn about Social Security and Medicare.
4. If your employer offers a plan, participate. Be sure that your annual salary deferral takes full advantage of employer matching contributions, if available. Defer as much as you can. If you decide against maximizing annual salary deferrals in the plan, be sure to save for retirement outside of work.
5. Consider retirement benefits as part of your total compensation. If your employer doesn't offer you a plan, ask for one.
6. Take advantage of the Saver's Credit if eligible.
7. Have a back-up plan in the event you are unable to work before your planned retirement. Identify potential cost-cutting lifestyle changes such moving to a smaller home or taking on a roommate(s), consider protection products such as disability insurance and life insurance, get educated about possible ways to help make savings last longer including when to take withdrawals from retirement accounts to minimize taxes and penalties.

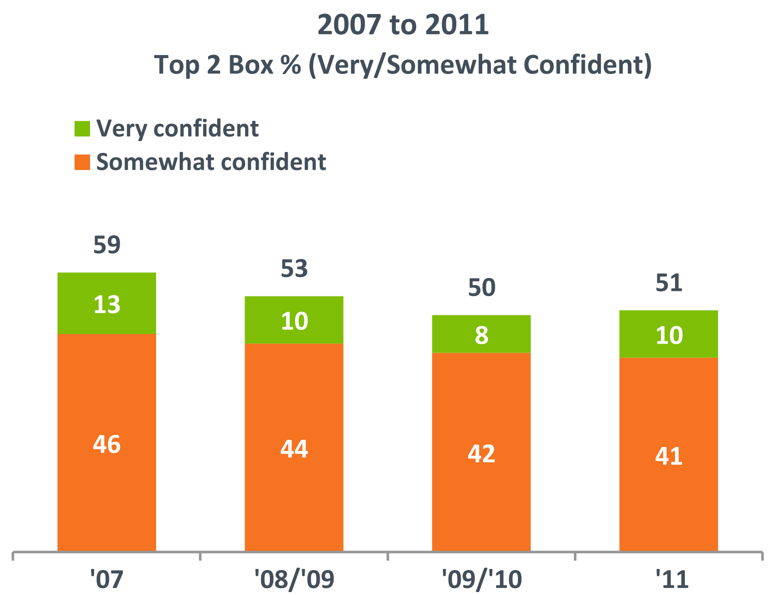
American Workers' Retirement Confidence is Low

The Great Recession has impacted retirement confidence which was already somewhat low. In 2007, the survey found that 59 percent of workers were confident in their ability to fully retire with a comfortable lifestyle, but only 13 percent were "very confident." By 2012, slightly over half of workers (51 percent) are confident, with only 9 percent who are "very confident." However, the survey also found that workers have continued saving for retirement (see page 26) and their total household retirement savings (estimated median) has increased (see page 38), which suggests that the decline in confidence may be fueled by the combination of general economic uncertainty and increased awareness of the amount needed in retirement.

How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?



2012 Retirement Confidence
Confident (Net): 51%
Not Confident (Net): 49%

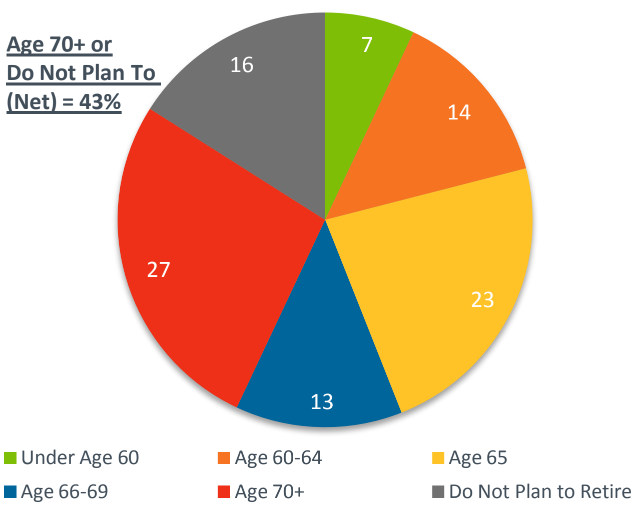


WORKER BASE: ALL QUALIFIED RESPONDENTS
Q880. How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?

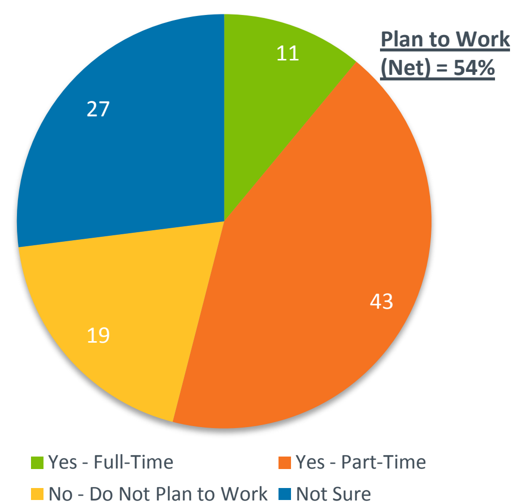
The New Retirement: Working

For many workers, the long-standing vision of fully retiring at age 65 has changed dramatically. The majority of workers (56 percent) expect to work past age 65 or do not plan to retire, including 43 percent who plan to work past age 70 or do not plan to retire. And the majority of workers (54 percent) plan to continue working after they retire. Working longer and planning to retire later can help bridge savings shortfalls; however, many older workers may face unforeseen circumstances such as a job loss, health issues, or family caregiver responsibilities which preclude their ability to work. Of great concern, only 20 percent of workers have a back-up plan if forced into retirement sooner than expected.

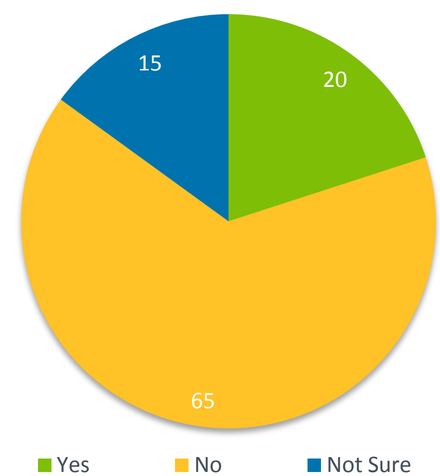
At what age do you expect to retire?
Workers



Do you plan to work after you retire?
Workers



Do you have a back-up plan if you are unable to work before your planned retirement?
Workers

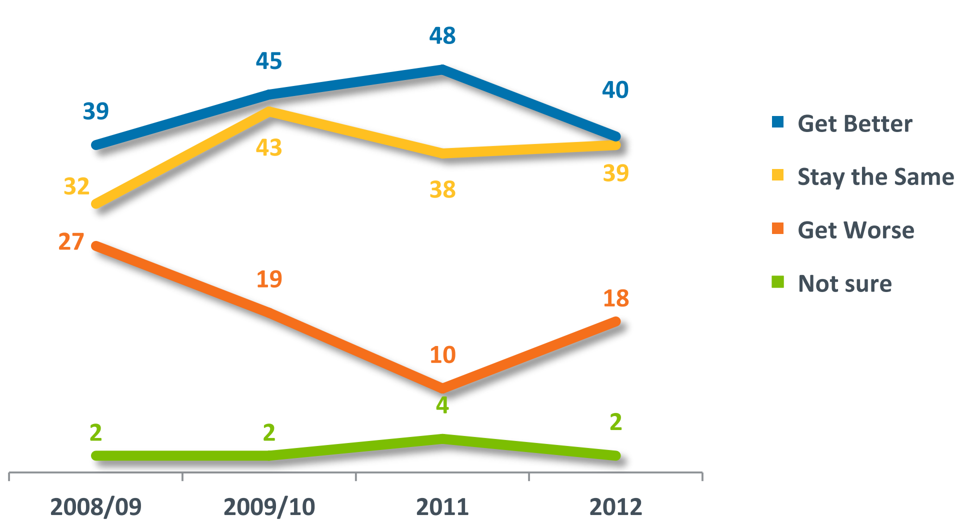


WORKER BASE: ALL QUALIFIED RESPONDENTS
Q910. At what age do you expect to retire?
Q1525. Do you plan to work after you retire?
Q1535. In the event you are unable to work before your planned retirement, do you have a backup plan for retirement income?

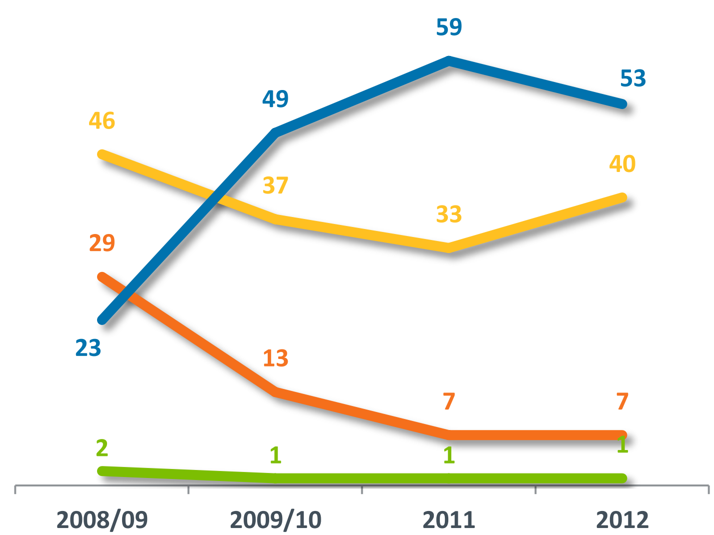
Employer Economic Expectations

When the Transamerica Center for Retirement Studies® published the results of its 9th Annual Retirement Survey of employers (fielded 2007, released February 2008), it reported, "Economy casts dark shadow over retirement confidence." One year later, it had become clear that the U.S. was facing no ordinary recession, so the 10th Annual Transamerica Retirement Survey added questions and found that many employers expected the economy (27 percent) and their firm's situation (29 percent) to worsen in the next 12 months. For the following two years, the pessimism subsided and optimism improved – until the 2012 survey found, compared to the prior year, that fewer employers expected the economy or their firm's situation to get better.

In the next 12 months, employers expect the U.S. economy to: (%)



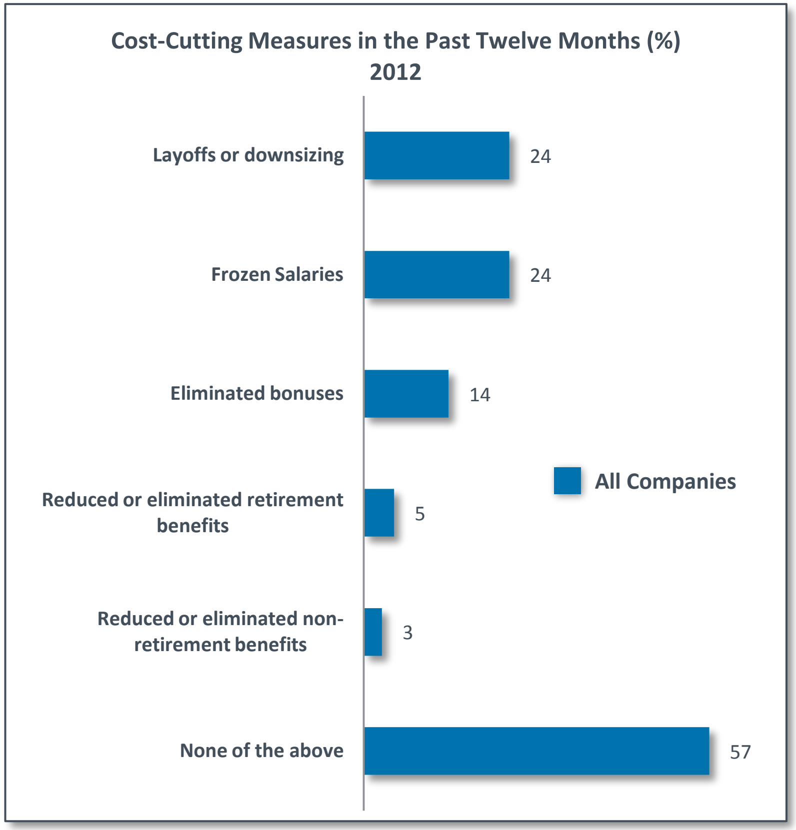
In the next 12 months, employers expect their company's financial situation to: (%)



EMPLOYER BASE: TOTAL RESPONDENTS
Q1400. In the next 12 months, do you expect the U.S. economy to:
Q1405. In the next 12 months, do you expect your company's financial situation to:

Employer Cost-Cutting Measures

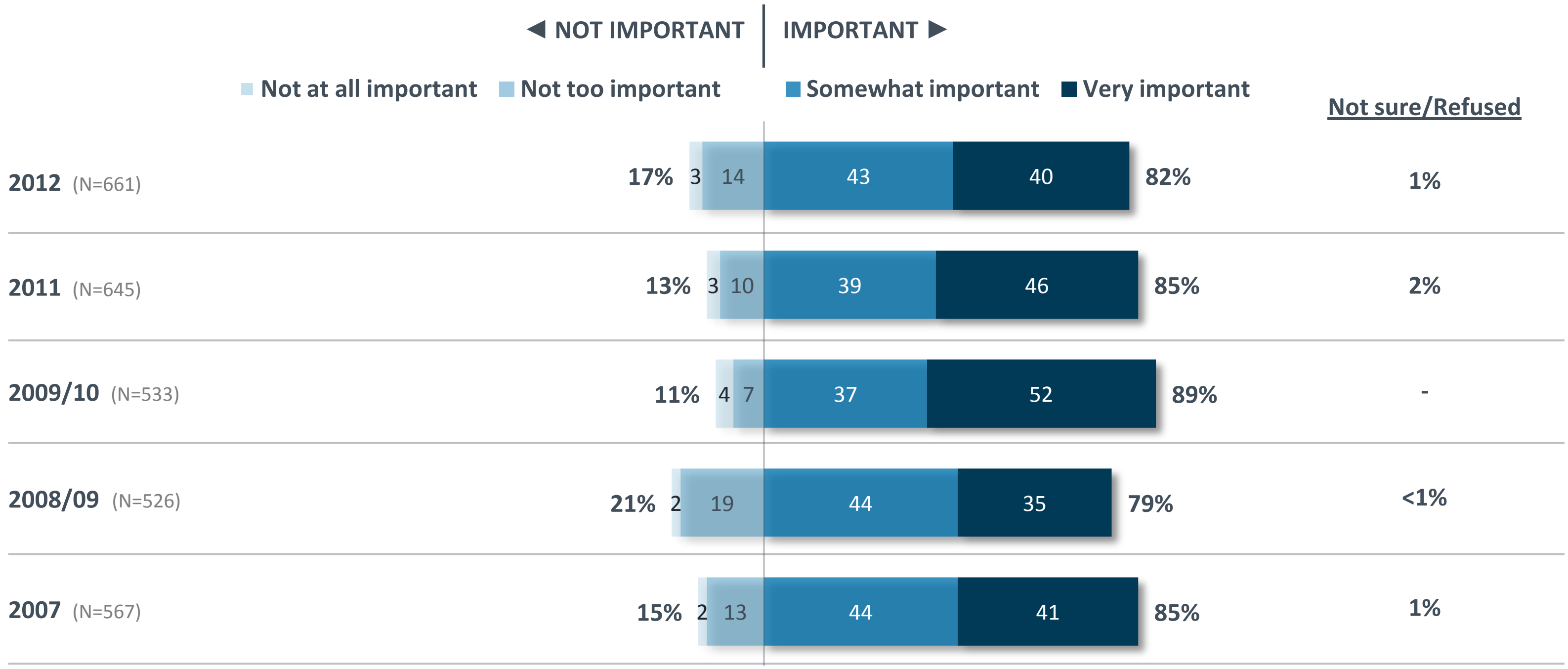
In late 2008/early 2009, the 10th Annual Transamerica Retirement Survey asked employers about cost-cutting measures that their companies had undertaken and found that many had layoffs (39 percent), but far fewer (10 percent) had reduced or eliminated retirement benefits. The following year, these percentages increased, especially among large companies. But since 2011, they have steadily declined. This year's survey found the positive indicator that most firms (57 percent) said "none of the above" when asked about cutbacks. (See page 50 for full analysis).



EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q1410. Has your company implemented any of the following measures in the last 12 months?

The Value of Retirement Plans: Attracting and Retaining Talent

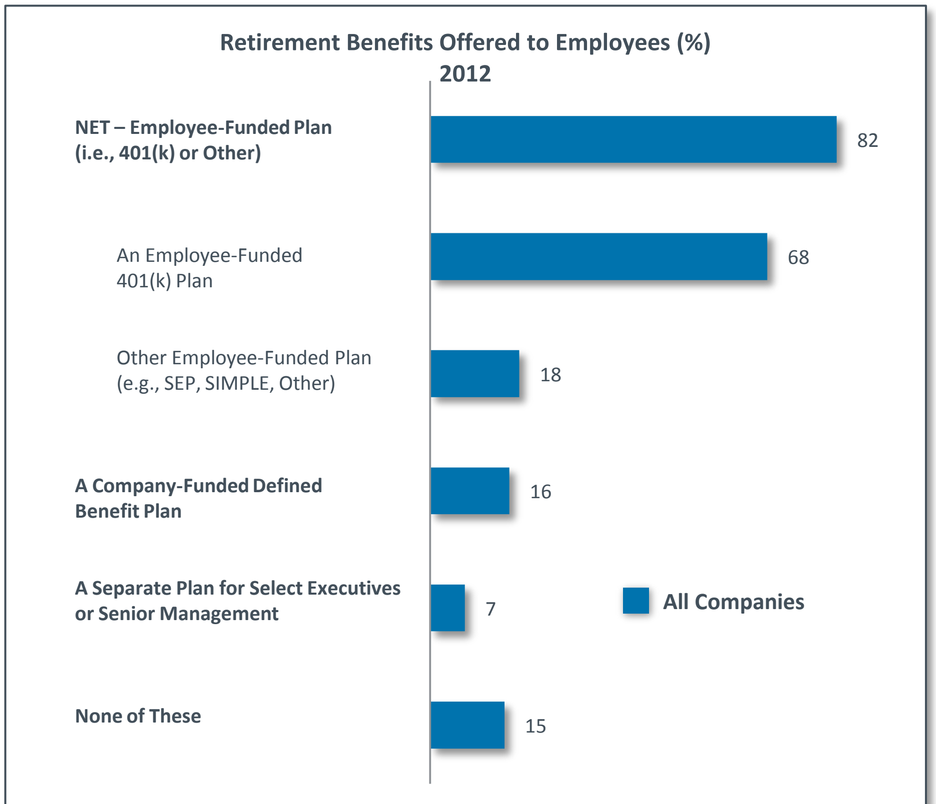
Throughout the past five years, despite the extremely difficult economy, the vast majority of employers that sponsor a 401(k) or similar plan have consistently shared the belief that their retirement plans are important for their ability to attract and retain employees.



EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN
Q650. How important would you say your company's employee-funded retirement plan package is to your ability to attract and retain employees?

Growth in Employee-Funded Retirement Plans

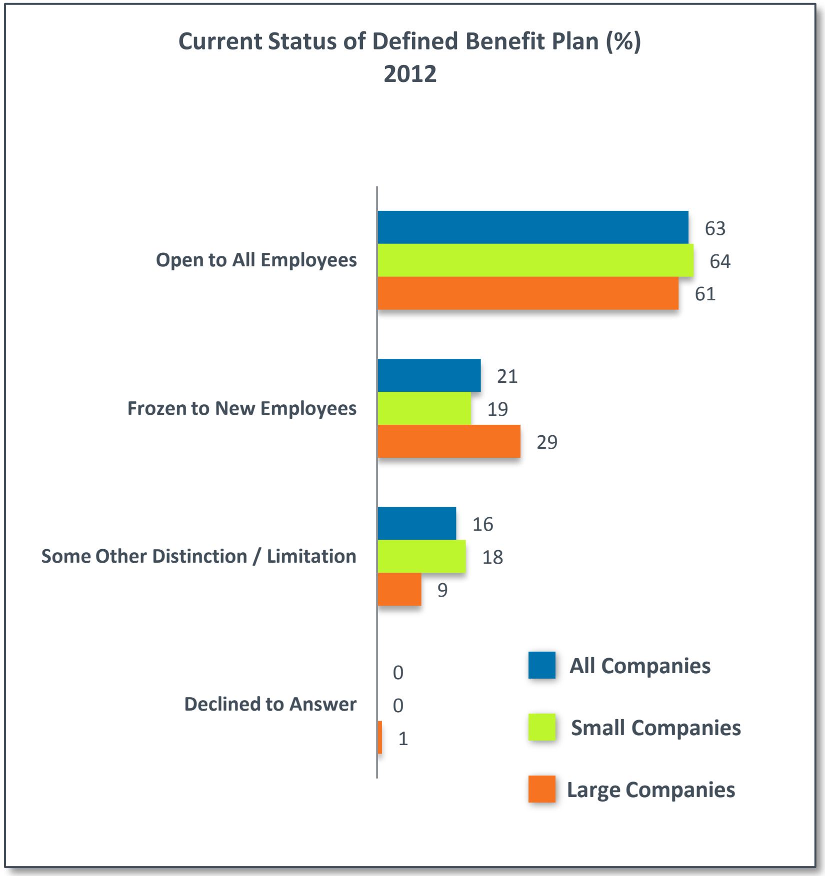
Since 2007, defined benefit plan (often referred to as "traditional pension plan") sponsorship rates have dropped from 19 percent in 2007 to 16 percent in 2012, with most of the decline attributable to large companies (more than 500 employees). At the same time, employer sponsorship rates of a 401(k) or similar plan have increased from 72 percent in 2007 to 82 percent in 2012, with the majority of the increase attributable to small companies (10-499 employees) and more likely due to the closings of smaller, unstable businesses that did not offer a plan, versus healthy businesses adopting new plans. Important note: those employers who sponsor a 401(k) or similar plan do not necessarily extend coverage to all of their employees (e.g., part-time, seasonal) (see page 24).

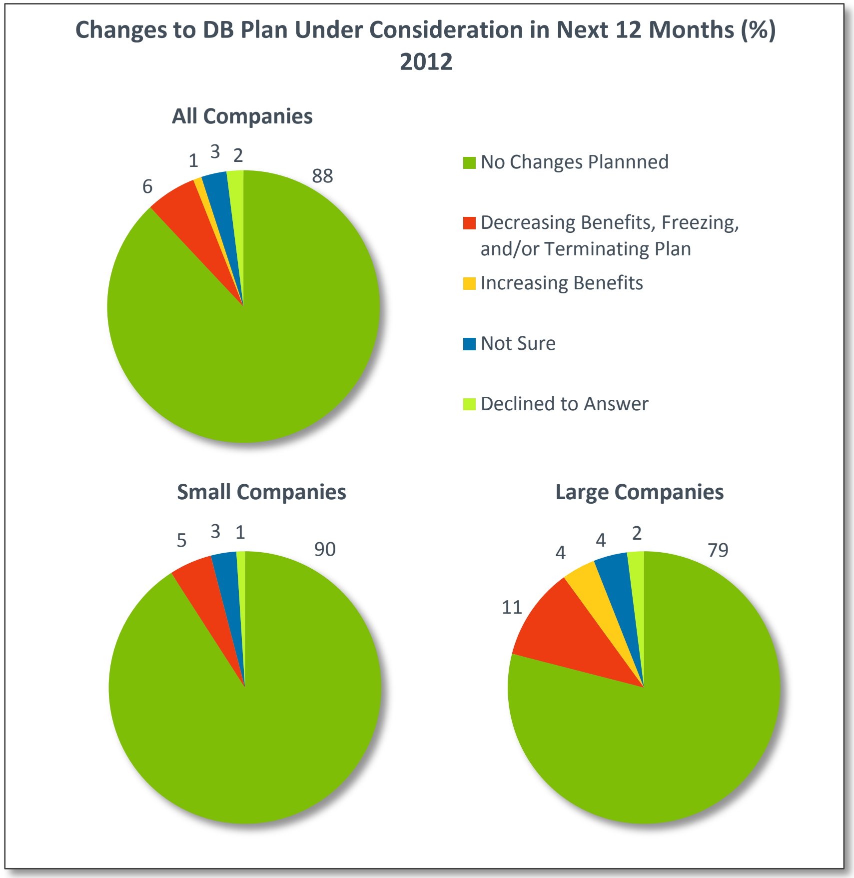


EMPLOYER BASE: ALL QUALIFIED RESPONDENTS
Q530. Which of the following retirement benefits does your company offer?

Slowly Vanishing Defined Benefit Plans

Since 2007, defined benefit plan (often referred to as "traditional pension plan") sponsorship rates have dropped from 19 percent in 2007 to 16 percent in 2012, with most of the decline attributable to large companies (more than 500 employees) (see page 22). In 2012 the majority of employers who sponsor a defined benefit plan make them available to all employees (63 percent); however, 21 percent indicate their plans are "frozen" to new employees, and 16 percent indicate some other limitation. Eleven percent of large companies are considering decreasing benefits, freezing and/or terminating their plan in the next 12 months.



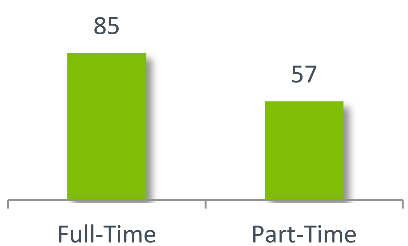


EMPLOYER BASE: OFFERS COMPANY-FUNDED DEFINED BENEFIT PLAN
Q1010. Is your company-funded defined benefit pension plan open to all employees, or frozen to new employees?
Q1425. Is your company considering changes to its company-funded defined benefit plan in the next twelve months?

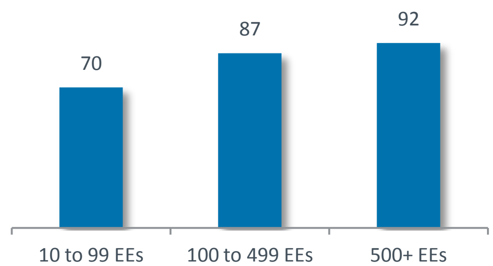
Plan Coverage Lower Among Small-Business and Part-Time Workers

Increasing the availability of employer-based retirement plans, i.e., “expanding coverage,” so that all workers have access to a 401(k) or similar retirement plan is a major societal opportunity – and how it can be accomplished has sparked an intense public policy debate. To help shed light on which workers are more or less likely to be covered by a plan, the survey found that part-time workers are least likely to be covered (57 percent). In contrast, coverage among full-time workers is much higher at 85 percent. Another segment in which coverage is substantially lower is full-time workers of companies with only 10 to 99 employees (70 percent). (See appendix pages 52-56 for detailed coverage data charts.)

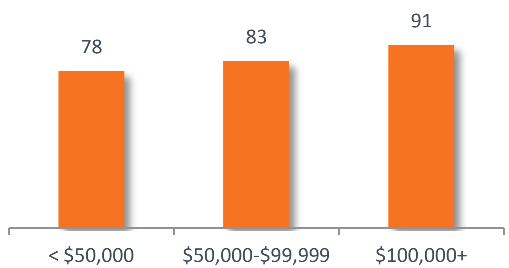
All Workers by Employment Status
% Offered a 401(k) or Similar Plan (NET)



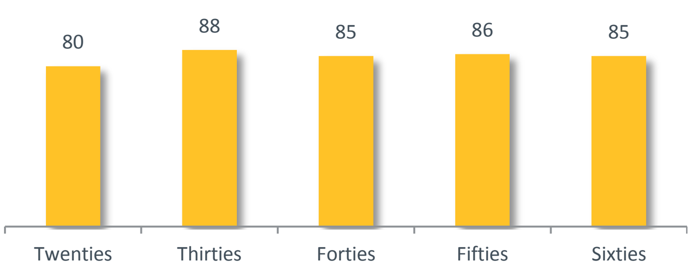
Full-Time Workers by Company Size
% Offered a 401(k) or Similar Plan (NET)



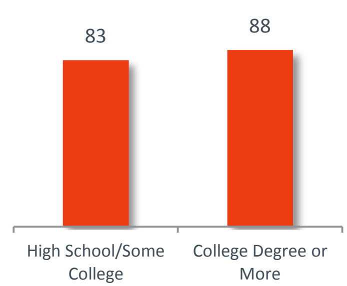
Full-Time Workers by Household Income
% Offered a 401(k) or Similar Plan (NET)



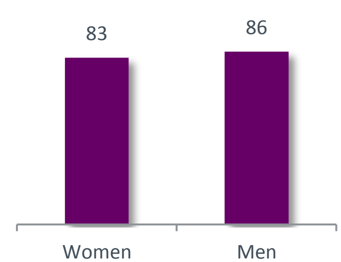
Full-Time Workers by Age Range
% Offered a 401(k) or Similar Plan (NET)



Full-Time Workers by Level of Education
% Offered a 401(k) or Similar Plan (NET)



Full-Time Workers by Gender
% Offered a 401(k) or Similar Plan (NET)

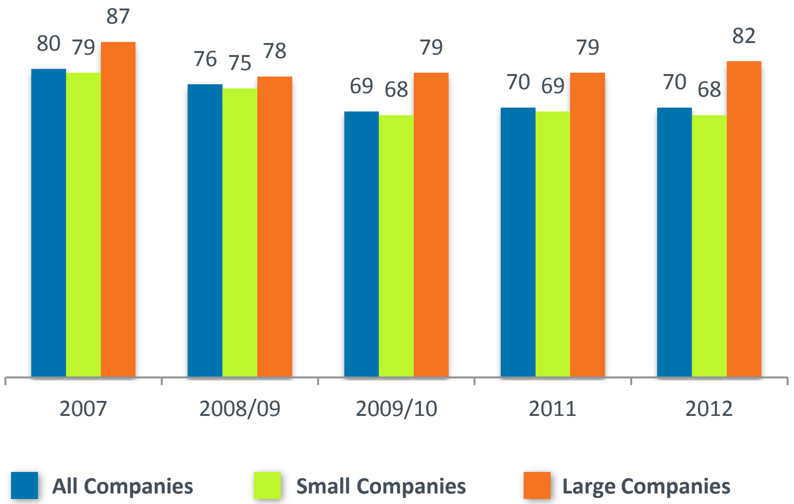


WORKER BASE: ALL QUALIFIED RESPONDENTS
Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

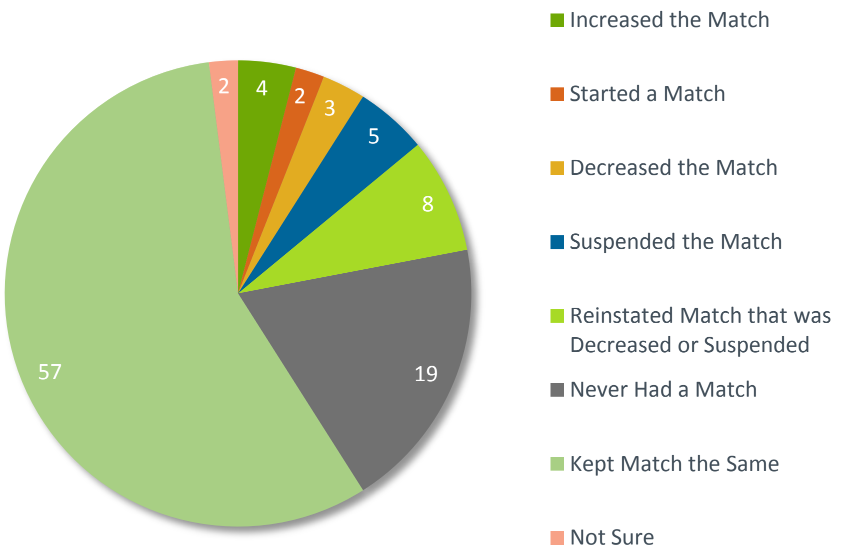
Most Matching Contributions Unaffected between 2007 and 2012

One of the most important features of a 401(k) plan is the employer's matching contribution which incentivizes its employees to join the plan. During the Great Recession, the media widely reported employers dropping their matching contributions. This year's survey found that the presence of matching contributions has indeed declined from 80 percent in 2007 to 70 percent in 2012. However, the study also found a positive indicator that nearly half (8 percent) of the 17 percent who said they decreased or suspended their match since 2008 had already reinstated it. Although any reduction in benefits is disappointing, it is important to note that, relatively speaking, it is good news that employers were far more likely to drop their match than drop their plan altogether, which would have far worse implications.

Offers Matching Contribution to 401(k) or Similar Plan Yes (%)



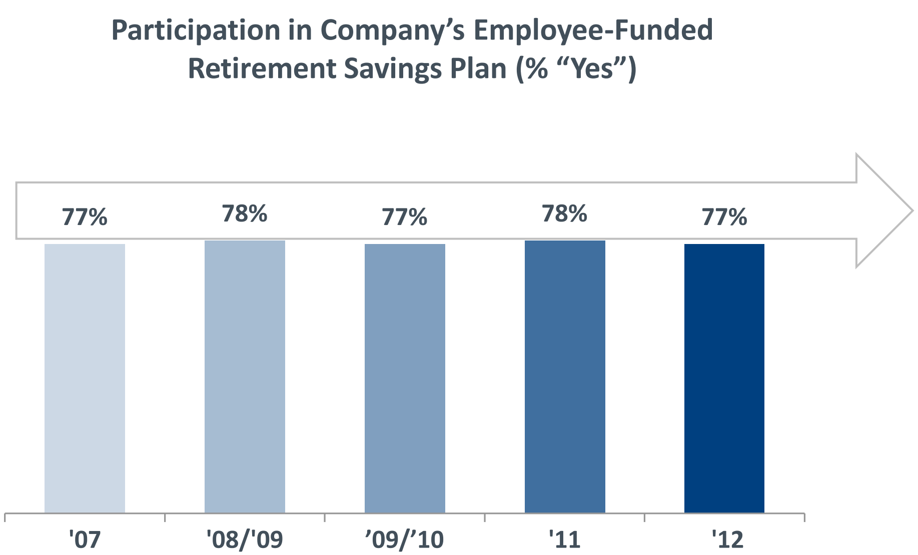
Changes Made to Matching Contribution Since Recession Began in 2008 (%)

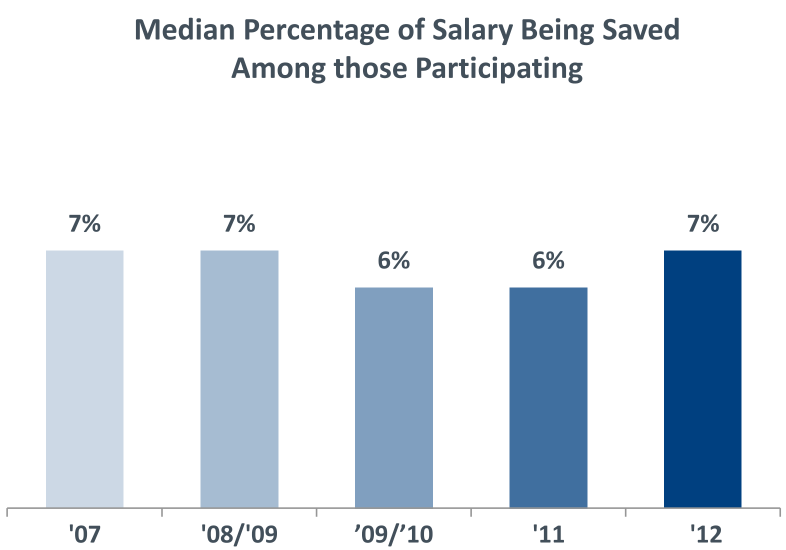


EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN
Q640. Does your company offer a matching contribution as part of its 401(k) or other company-sponsored retirement plan?
Q1610. Since the recession began in 2008, has your company made any of the following changes to the matching contribution?

Workers Continue Saving in Retirement Plans

Despite the turmoil in the economy and financial markets since 2007, workers have continued saving for retirement in 401(k) or similar retirement plans. Participation rates have held steady and remained strong for the past five years. The median contribution rate dipped slightly between 2009-2011 but has recovered in 2012. This year's survey also found that 24 percent of participants increased their 401(k) contributions in the past 12 months. However, the survey found that plan "leakage" in the form of loan rates and hardship withdrawal rates has ticked up (see pages 35-36), and early withdrawals among the unemployed have been significant (see page 37).



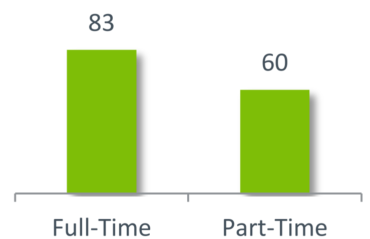


WORKER BASE: THOSE WITH QUALIFIED PLANS CURRENTLY OFFERED TO THEM
Q590. Do you currently participate in, or have money invested in your company's employee-funded retirement savings plan?
WORKER BASE: CURRENTLY PARTICIPATING IN THEIR QUALIFIED PLAN
Q600. What percentage of your salary are you saving for retirement through your company-sponsored plan this year?

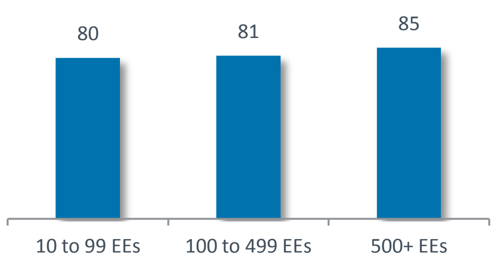
Low Participation Rates: Part-Time, Young & Lower Income Workers

This year's survey studied workers who are offered a 401(k) or similar plan and analyzed their participation rates by demographic segment. It found that participation rates are dramatically lower for part-time workers (60 percent) than full-time workers (83 percent), a trend common across the segments studied. For this reason, the remainder of the analysis focused on full-time workers and found that workers who are much less likely to participate include those with annual household income of less than $50,000 (62 percent), those in their Twenties (69 percent), and those with only a high school diploma or some college (77 percent). Among all part-time and full-time workers who are offered a plan, the most frequently cited reasons for not participating include "financially stretched" (31 percent), "some other reason" (21 percent), and "not eligible to join the plan" (12 percent).

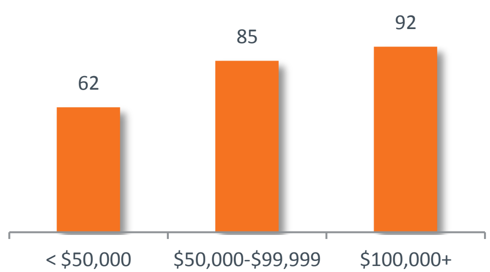
All Workers By Employment Status
% Participates in 401(k) or Similar Plan



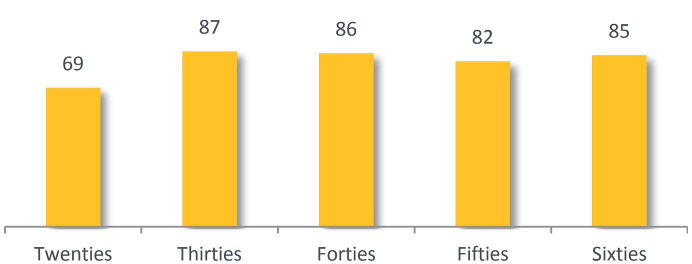
Full-Time Workers by Company Size
% Participates in 401(k) or Similar Plan



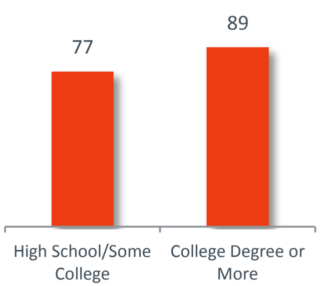
Full-Time Workers by Household Income
% Participates in 401(k) or Similar Plan



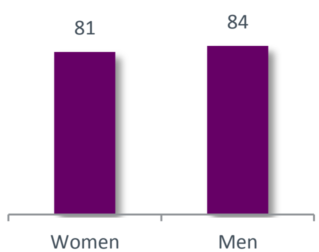
Full-Time Workers by Age Range
% Participates in 401(k) or Similar Plan



Full-Time Workers by Level of Education
% Participates in 401(k) or Similar Plan



Full-Time Workers by Gender
% Participates in 401(k) or Similar Plan

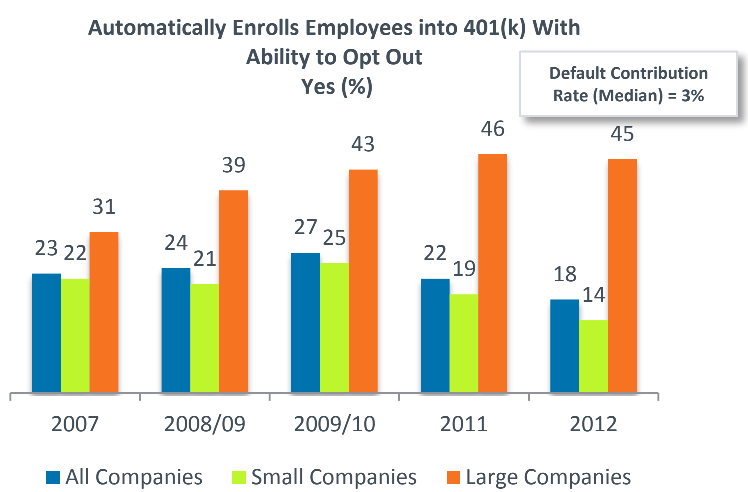


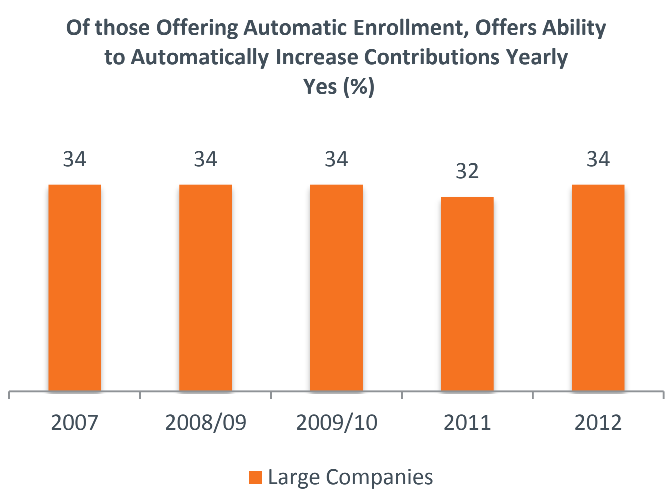
WORKER BASE: THOSE WITH QUALIFIED PLANS CURRENTLY OFFERED TO THEM

Q1190. Do you currently participate in, or have invested in your company's employee-funded retirement savings plan?

Automatic Enrollment & Escalation

Among the most important innovations to increase plan participation rates are "automatic" features that automatically enroll employees while giving them the ability to opt out. In 2006, the Pension Protection Act (PPA) was enacted into law and provided a legal foundation and safe harbors for plan sponsors to expand the reach of automatic enrollment and auto escalation increases. Most of these features became effective for plan years beginning after December 31, 2007. Since then, auto enrollment at large companies has increased from 31 to 45 percent, an impressive take-up rate given the difficult economic conditions. Automatic contribution escalation has held steady at 34 percent of large employers. However, the use of automatic enrollment has dropped among small employers, whose most frequently cited reason for not offering this feature was their plan participation rates are already high (page 29). Among all companies offering automatic enrollment, the median default contribution rate is 3 percent of annual salary (the requirement for safe harbor plans). Does the safe harbor's 3 percent contribution rate unintentionally create an inference that it is an adequate savings rate? Without any increases in contributions, either through auto escalation or otherwise, workers are unlikely to reach an adequate level of retirement savings.

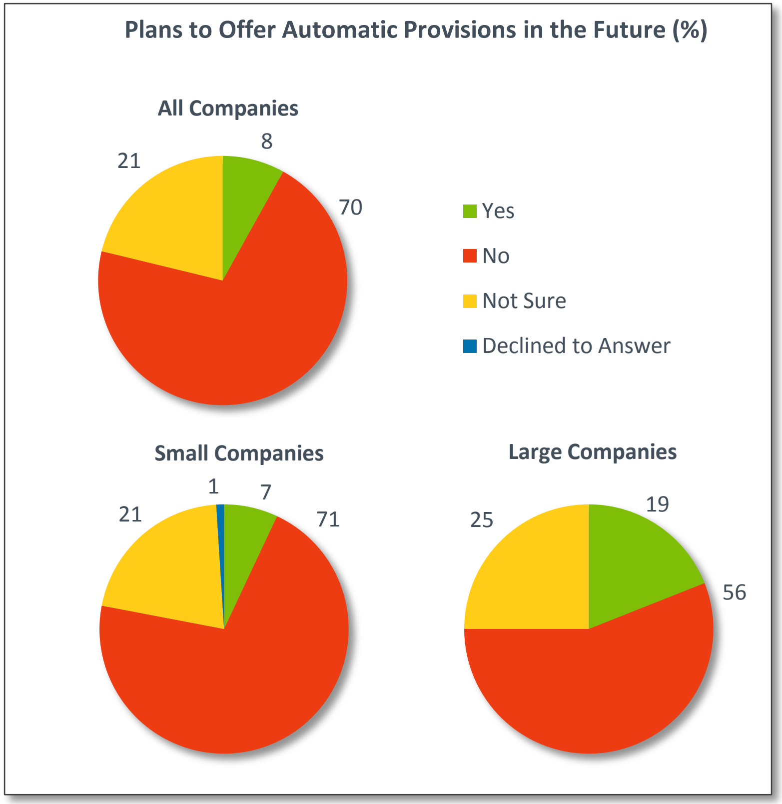


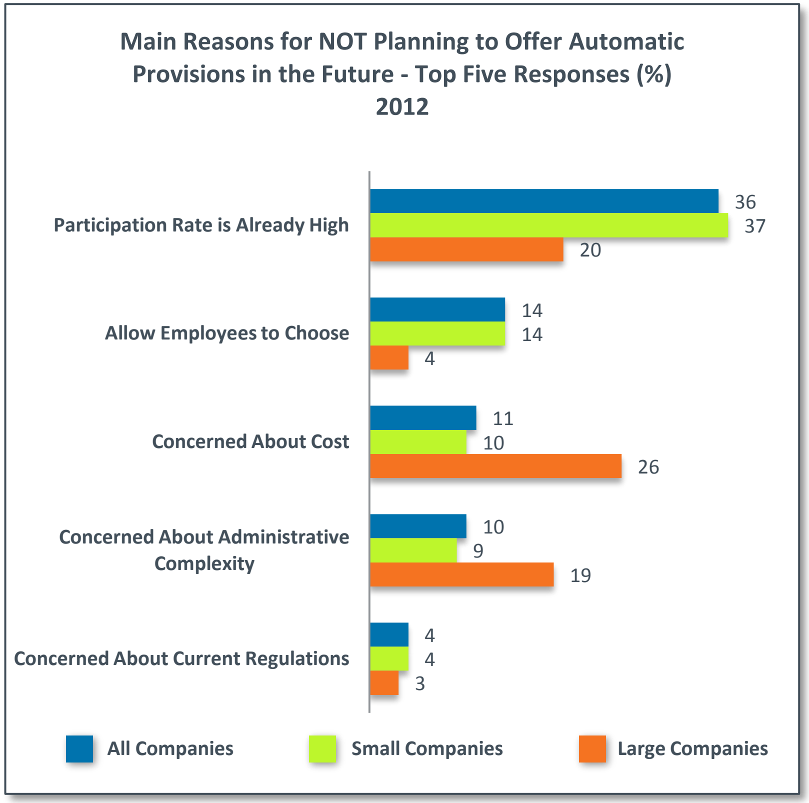


EMPLOYER BASE: OFFERS 401(k) PLAN. Q1025. When a new employee qualifies to join the employee-funded 401(k) plan, are they initially given a choice to participate or not participate in the plan, or automatically enrolled in the plan with the choice to opt out at a later date? EMPLOYER BASE: AUTOMATICALLY ENROLLS NEW EMPLOYEES INTO THE RETIREMENT PLAN. Q1031. Does your plan have a provision to automatically increase participant's contribution rates on their anniversary date of hire?

Plans to Offer Automatic Provisions in the Future

Nearly one in five (19 percent) large companies plans to add automatic provisions in the future; however, fewer small companies (7 percent) plan to do so. The most frequently cited reason for not offering automatic provisions for large companies is cost (26 percent) and for small companies is their participation rate is already high (37 percent). Plan sponsors not planning to offer automatic enrollment should check with their plan advisor. The market has become much more competitive in the past five years and it now may be more attractive from a cost and administrative perspective.

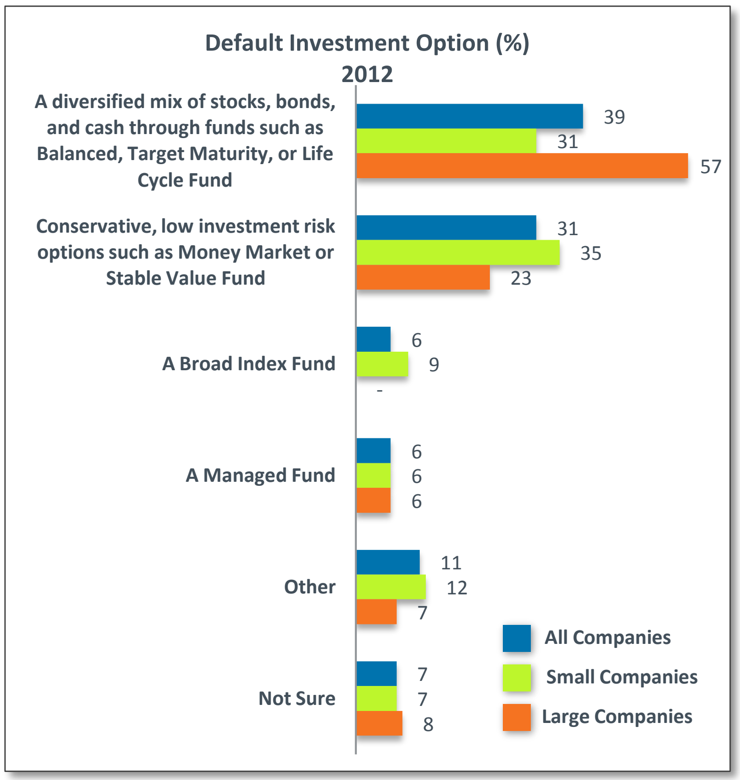


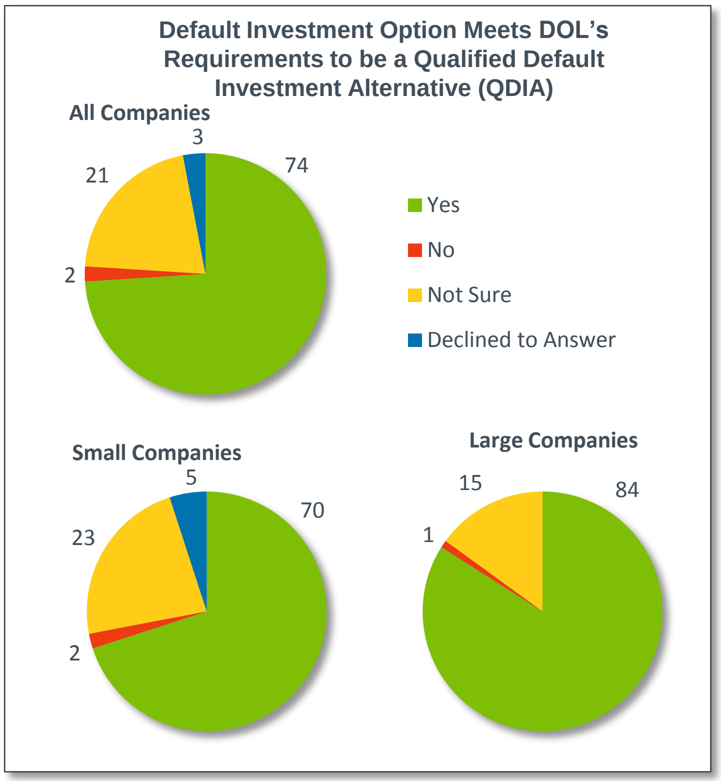


EMPLOYER BASE: DOES NOT AUTOMATICALLY ENROLL. Q580. Does your company plan to adopt any of the automatic provisions in the future?
EMPLOYER BASE: HAS NO PLANS TO AUTO ENROLL. Q590. What would you say is the main reason your company is not planning to adopt an automatic enrollment provision in the future?

Default Investment Option

Another important aspect of automatic enrollment is the investment fund which plan participants are defaulted into (with the ability to change) at the time they are automatically enrolled. The PPA provided fiduciary protection against potential liability to plan sponsors that default plan participants into a Qualified Default Investment Alternative (QDIA) meeting certain requirements. While the majority of plan sponsors (74 percent) have adopted a QDIA, others have not. A common criticism of plan sponsors who have not adopted a QDIA is that it fails to provide a stable value type of investment choice that may be best suited for workers who change jobs frequently or who are nearing retirement.



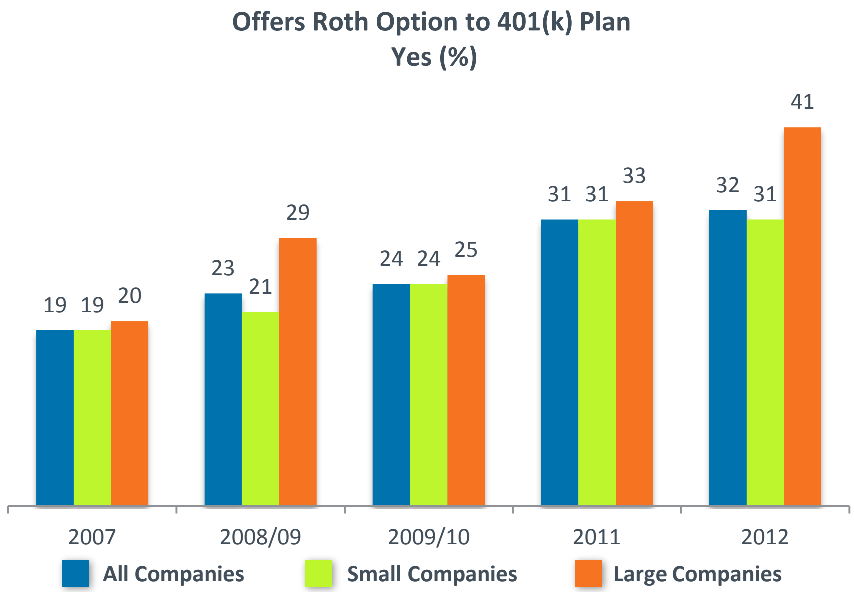


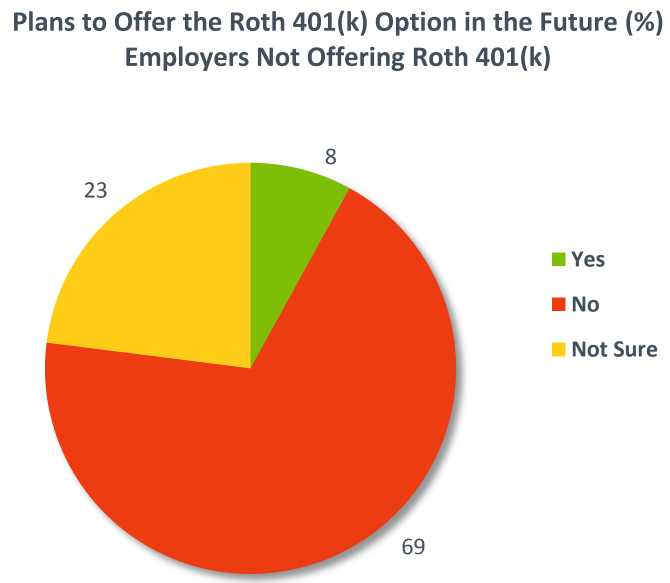
EMPLOYER BASE: AUTOMATICALLY ENROLLS NEW EMPLOYEES INTO THE RETIREMENT PLAN
Q1029. What is the default investment option for the employee-funded 401(k) plan?
Q1600. Does the default investment option for the 401(k) plan satisfy the Department of Labor's requirements to be recognized as a Qualified Default Investment Alternative, commonly referred to as a QDIA?

More Employers Offering the Roth 401(k) Option

The Roth 401(k) feature, if adopted by plan sponsors, enables plan participants to contribute to their plan on an after-tax basis. Prior to the Roth 401(k) option, which became available in 2006, the vast majority of 401(k) plans only allowed pre-tax contributions. By adopting the Roth feature, plan sponsors are giving participants a choice to contribute on a pre-tax and/or after-tax basis. Pre-tax contributions that are invested today will not be subject to personal income taxes until withdrawn at retirement age. Roth contributions, in which taxes are paid today, enable tax-free withdrawals at retirement age. In both cases, age 59 ½ is the age at which plan participants can generally withdraw funds without the taxes and/or penalties typically applicable to early distribution.

Over the past five years, companies have added the Roth 401(k) feature at a steady pace. Frequently cited reasons for not adopting it are lack of employee interest and cost. However, employers may be underestimating employee demand (see page 32) and, given the competitive dynamics of the marketplace, it now may be more affordable.

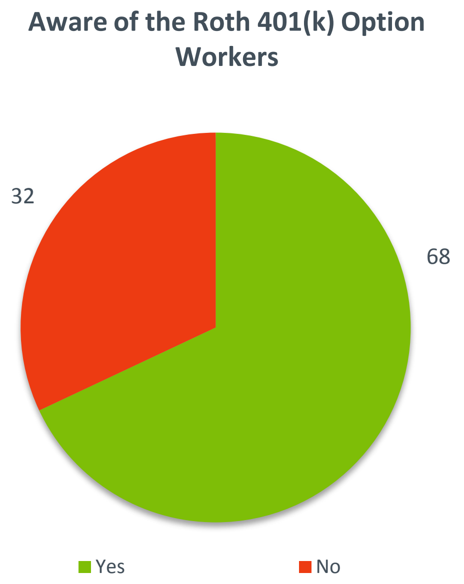


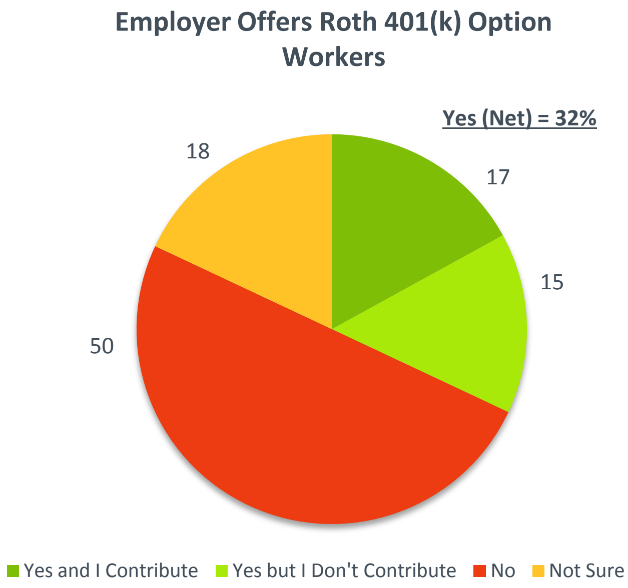


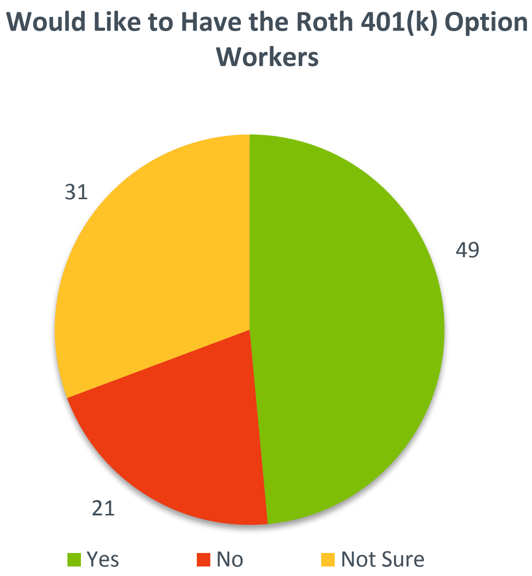
EMPLOYER BASE: OFFERS 401(k) PLAN
Q540. Has your company adopted the Roth 401(k) option?
EMPLOYER BASE: DOES NOT OFFER ROTH 401(k) PLAN
Q550. Does your company plan to adopt a Roth 401(k) option in the future?

Workers' Awareness and Interest in Roth 401(k)

Employers may be underestimating the appeal of the Roth 401(k) feature – and missing an opportunity to enhance their retirement plan. Just over two-thirds (68 percent) of workers are aware of the Roth 401(k) option. Slightly less than one third (32 percent) of workers said they are offered the Roth 401(k) option. Among those who are not currently offered the Roth 401(k) option, nearly half (49 percent) would like to have it in their plan.



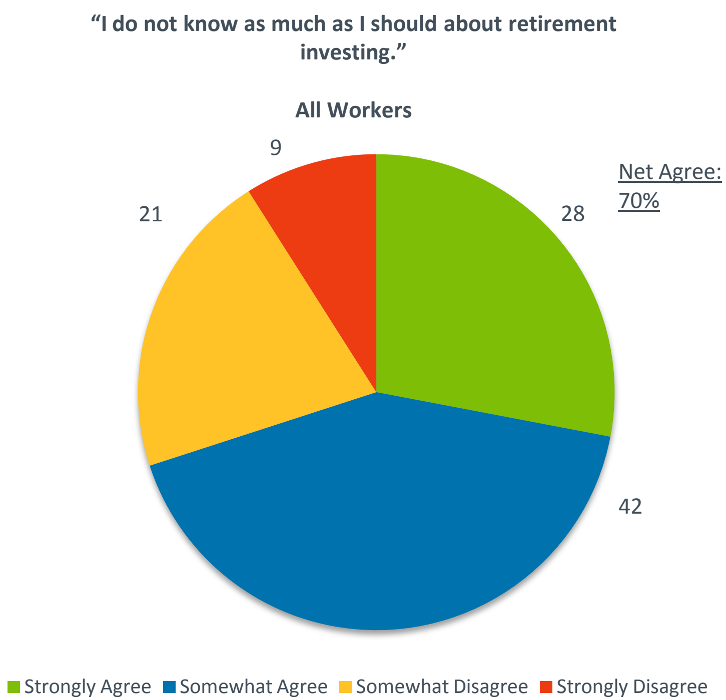


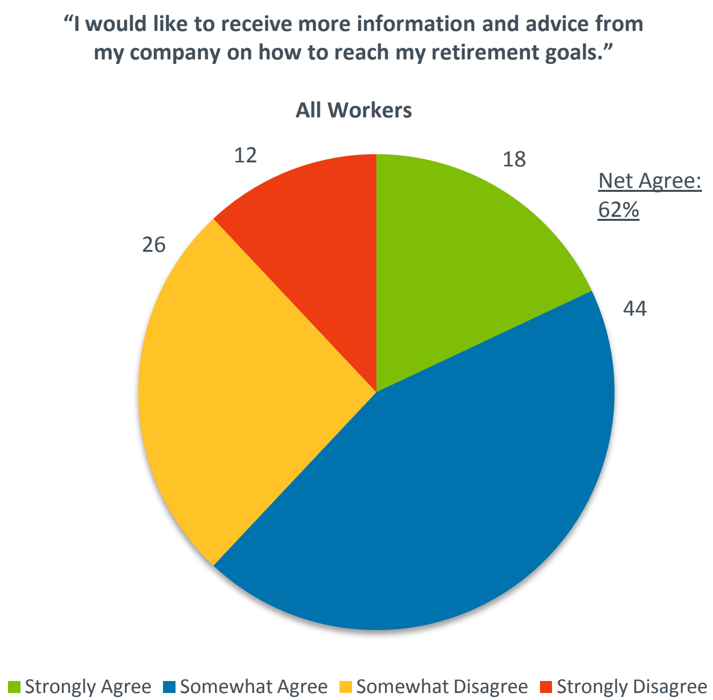


WORKER BASE: THOSE WITH QUALIFIED PLANS CURRENTLY OFFERED TO THEM. Q605. Are you aware of the Roth 401(k)/403(b) option?
WORKER BASE: AWARE OF ROTH 401(k). Q610. Does your employer offer a Roth 401(k) option to you, personally?
WORKER BASE: EMPLOYER DOES NOT OFFER ROTH 401(k) OPTION. Q615. Would you like a Roth 401(k) option in your plan?

The Participant Education Imperative

The vast majority of workers (70 percent) agree with the statement, "I do not know as much as I should about retirement investing" and most (62 percent) would like more information and advice from their employer about how to reach their retirement goals. Now more than ever before, given the turmoil in the financial markets in the past five years, participants need education, guidance and/or advice about how to plan and save for retirement. Employers, working with their advisors and plan providers, can play an invaluable role in helping participants get back on track with their planning, saving, and investing for retirement.



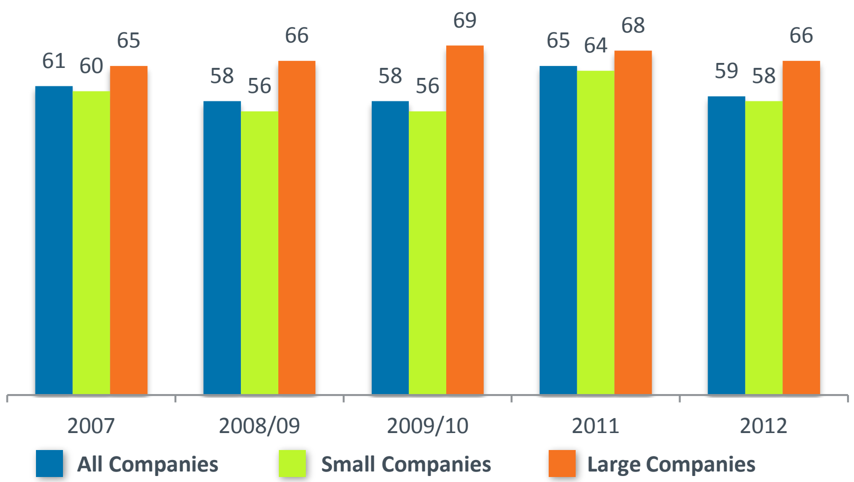


WORKER BASE: ALL QUALIFIED RESPONDENTS
Q931. State level of agreement. "I do not know as much as I should about retirement investing."
WORKER BASE: ALL QUALIFIED RESPONDENTS
Q931. State level of agreement. "I would like to receive more information and advice from my company on how to reach my retirement goals."

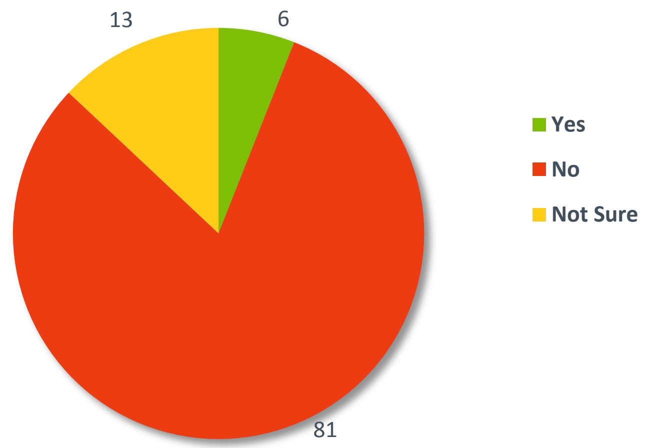
About Investment Guidance / Advice

During the last five years, plan sponsors indicating that they offer guidance or advice as part of their retirement plan has remained flat at close to 60 percent. The vast majority of those who don't do so (81 percent) say they do not plan to offer it in the future – with the most commonly cited reason being concerns about potential liability (31 percent small companies, 55 percent large companies). The Pension Protection Act set forth provisions and conditions to offer investment advice through a plan sponsor's retirement plan provider or independent third party. Whether these provisions have been helpful in getting more plan participants advice is yet to be seen. In the meantime, however, it should be noted that the past five years have brought about the proliferation and widespread popularity of "target maturity funds" and "managed account" products which have proven to be attractive alternatives to help workers who either do not have access to advice and/or are unlikely to make informed investment decisions.

Offers Investment Guidance or Advice as Part of Retirement Plan
Yes (%)



Plans to Offer Investment Guidance or Advice in the Future (%)
Employers That Do Not Offer Advice



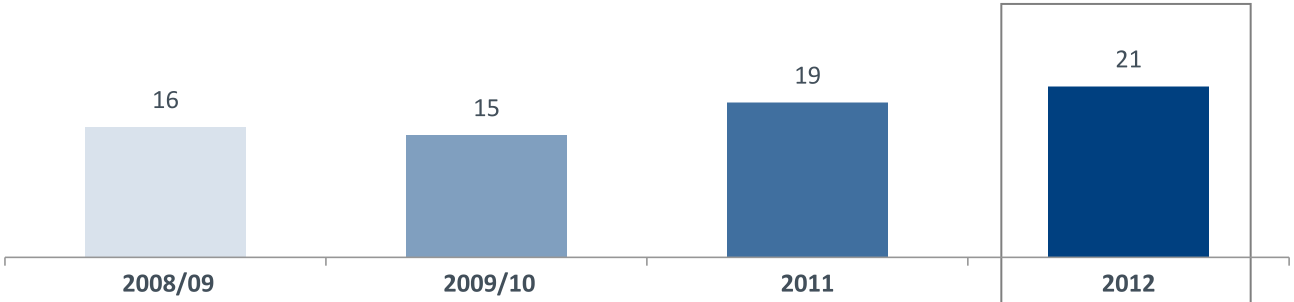
EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER EMPLOYEE-FUNDED PLAN
Q592. Does your company currently offer investment guidance or advice for employees as part of your retirement plan?
EMPLOYER BASE: DOES NOT OFFER ADVICE
Q594. Does your company plan to offer investment guidance or advice for employees in the future?

Leakage from Retirement Accounts: 401(k) Loans

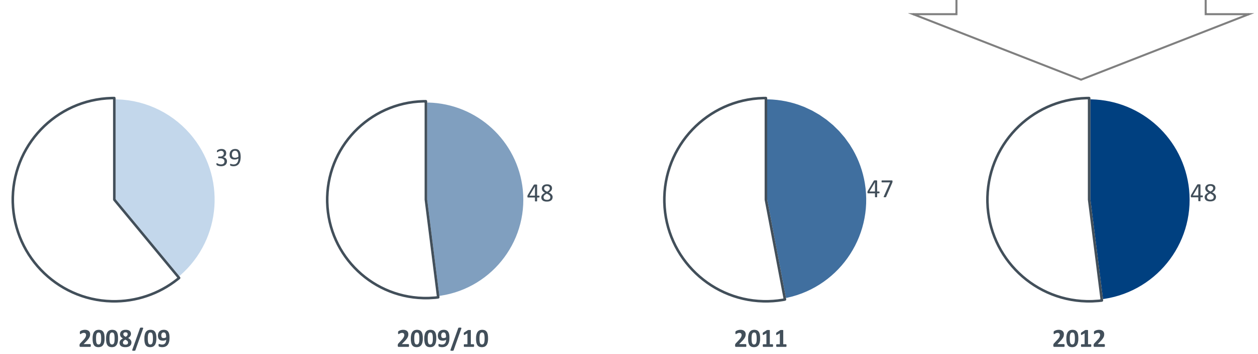
While workers' plan participation rates have held steady, it is important to highlight "leakage" from their accounts in the form of loans, hardship withdrawals, and early distributions. These forms of leakage can dramatically and negatively impact a worker's savings and the value of their retirement accounts by the time they reach retirement age.

The number of participants who have taken a loan from their 401(k) plan has increased from 16 percent in 2008/09 to more than 21 percent in 2012. Among those who had taken a loan in 2012, nearly half (48 percent) indicated they did so in the last twelve months.

Have Taken a Loan from Retirement Plan, % Indicate Yes



Have Taken Out in the Last 12 Months, % Indicate Yes

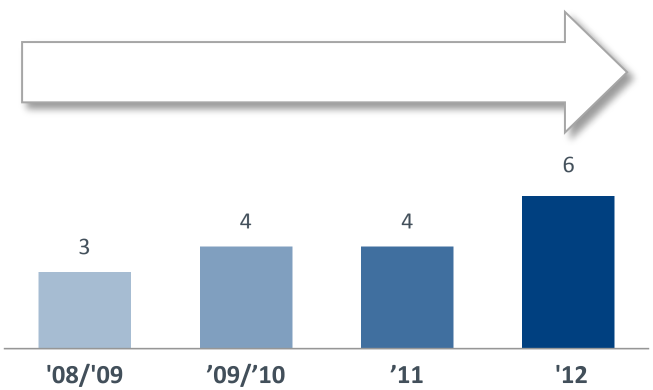


WORKER BASE: FULL AND PART-TIME; THOSE CURRENTLY PARTICIPATING IN THEIR QUALIFIED PLAN
Q650. Have you taken out a loan from your retirement plan?
WORKER BASE: FULL AND PART-TIME; THOSE WHO HAVE TAKEN OUT A LOAN FROM THEIR RETIREMENT PLAN
Q1455. Was the loan from your retirement plan taken out in the last 12 months?

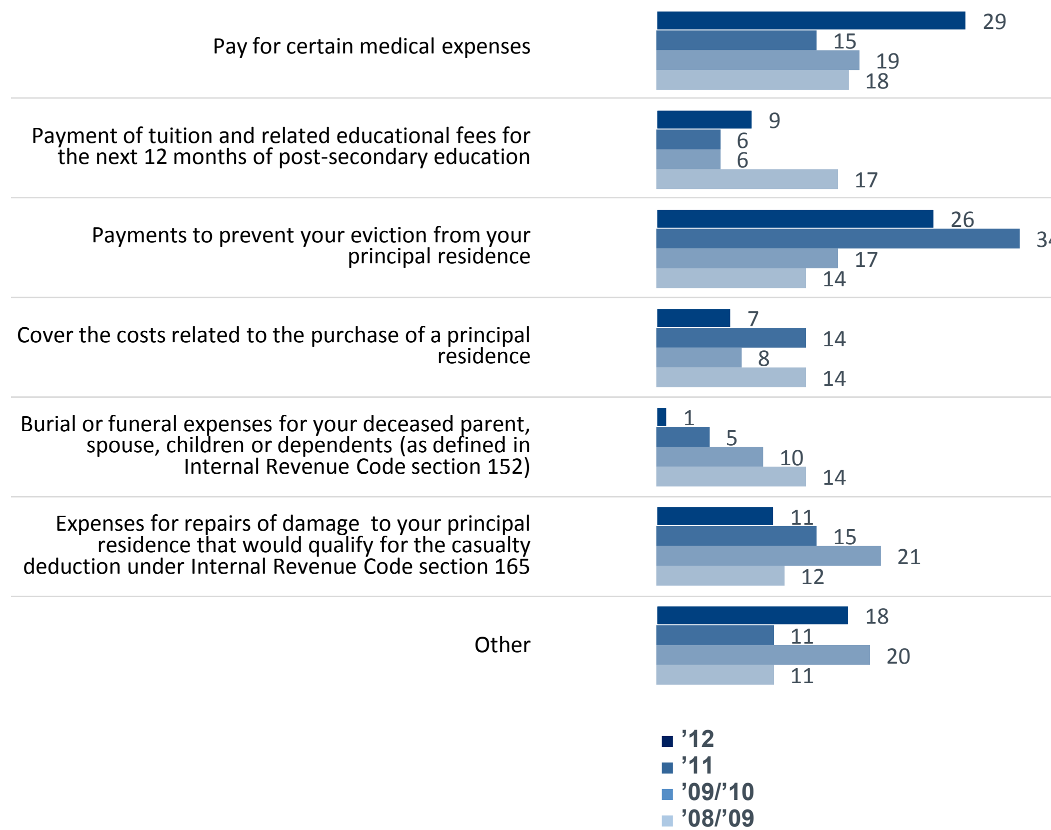
Leakage from Retirement Accounts: Hardship Withdrawals

Although a relatively small percentage of workers have taken a hardship withdrawal, the number has doubled from 3 percent in 2008/09 to 6 percent in 2012. The primary reasons for taking a hardship withdrawal has changed over time. In 2012, the most frequently cited reason was to pay for medical expenses.

Taken a Hardship Withdrawal in Last 12 Months, % Indicate Yes



Primary Reason for Hardship Withdrawal



WORKER BASE: FULL AND PART-TIME; THOSE WITH QUALIFIED PLANS CURRENTLY OFFERED TO THEM

Q1460. Have you taken a hardship withdrawal from your employee-funded retirement plan in the last 12 months?

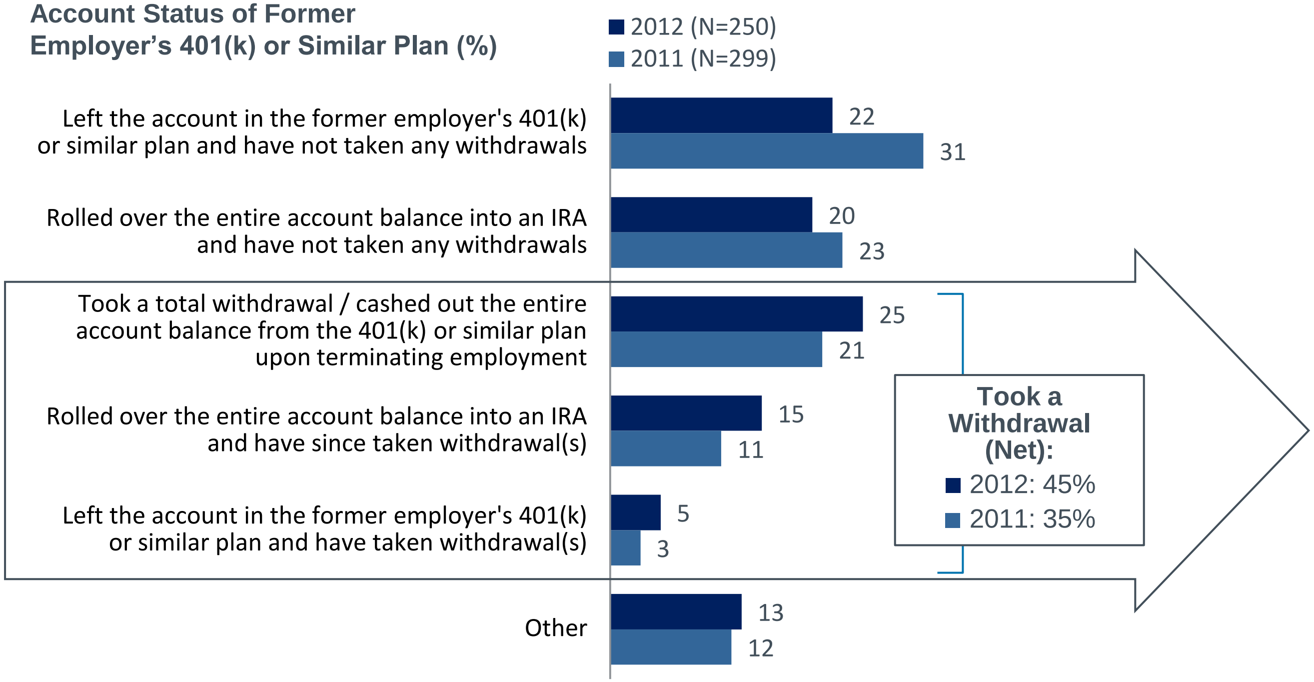
WORKER BASE: FULL AND PART-TIME; THOSE WHO HAVE TAKEN A HARDSHIP WITHDRAWAL

Q1465. What is the primary reason you have taken a hardship withdrawal from your employee-funded retirement savings plan?

Leakage from Retirement Accounts: Job Loss

According to the 2012 survey of unemployed/underemployed conducted as part of this study, many (45 percent) of the un/underemployed who participated in their most recent employer's 401(k) or similar plan have taken a partial or full withdrawal, an increase over the 35 percent reported in the 2011 survey. The number of the unemployed who took a withdrawal from their 401(k) or similar plan increased from last year. The increase is also seen among those who are un/underemployed for less than a year and those who are married.

Account Status of Former Employer's 401(k) or Similar Plan (%)



Took a Withdrawal from Previous Employer's Self-funded Plan (%)

	2012	2011
Unemployed	(N=128) 63	(N=208) 42
Underemployed	(N=122) 34	(N=91) 28
Un/Underemployed Less Than a Year	(N=158) 42	(N=123) 20
Un/Underemployed a Year or More	(N=92) 46	(N=176) 39
Single	(N=109) 47	(N=124) 41
Married	(N=141) 44	(N=175) 28

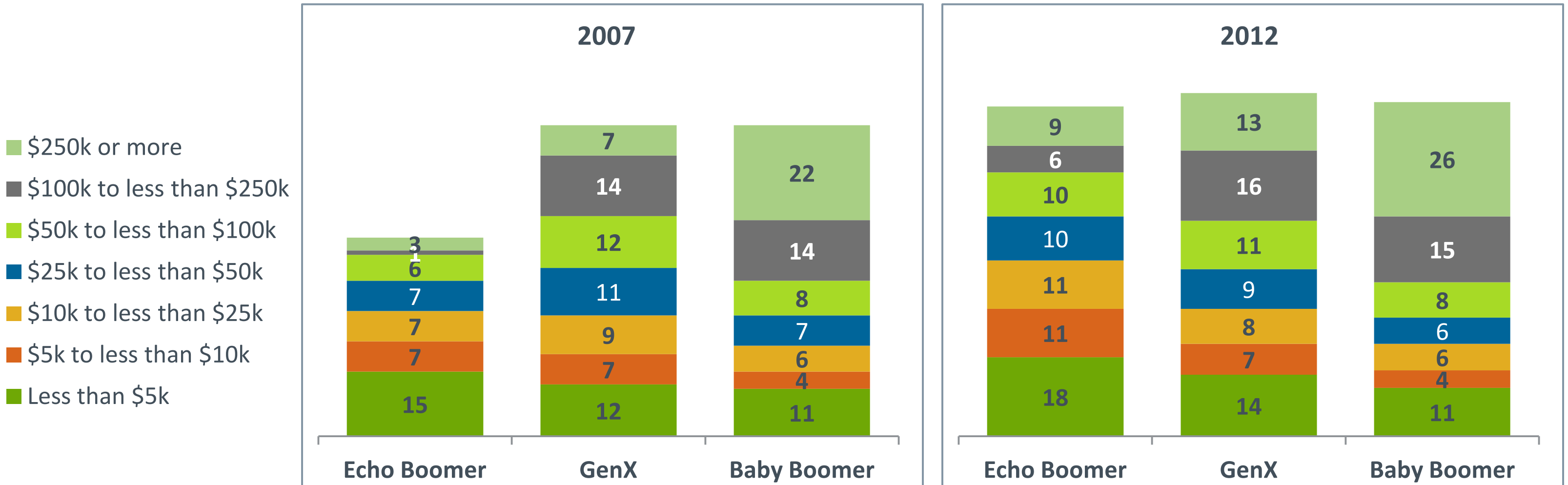
UN/UNDEREMPLOYED BASE: THOSE WHO PARTICIPATED IN THEIR PREVIOUS EMPLOYER'S SELF-FUNDED PLAN

Q2140. What have you done with your account in your former employer's 401(k) or similar retirement savings plan since you left your most recent job?

Total Household Retirement Savings: 2007 vs. 2012

Perhaps the ultimate measure of how workers' retirement outlook has been affected during the last five years is changes in their total household savings in retirement accounts. The survey found that the median retirement savings for Echo Boomers, GenX, and Baby Boomers significantly increased for all three segments between 2007 and 2012. Absent other facts, this type of growth seems impressive. If this growth is as good as it appears, it should serve to illustrate the strength and success of the current retirement system especially given the extremely difficult challenges in the economy. However, the survey results also show in both 2007 and 2012 that the level of retirement savings among workers is inadequate for many to fund a financially secure retirement.

Total Household Retirement Savings by Generation (%)



	2007 Echo Boomer	2007 GenX	2007 Baby Boomer	2012 Echo Boomer	2012 GenX	2012 Baby Boomer
Not sure	30	11	11	13	10	9
Decline to answer	24	17	16	12	11	16
Estimated Median	$8,615	$32,106	$74,781	$15,213	$41,821	$99,320

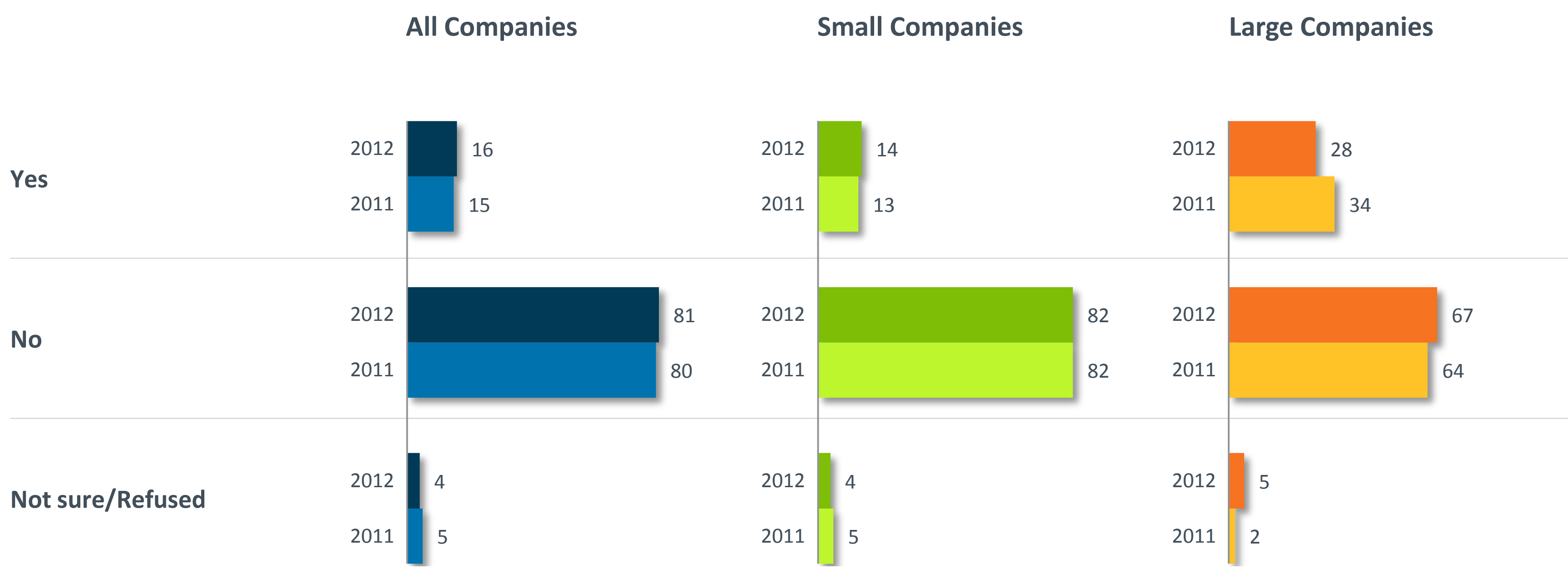
Note: The median is estimated based on the approximate midpoint of the range of each response category. Non-responses are excluded from the estimate.

WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1300. Approximately how much money does your household have saved in all of your retirement accounts? Please include IRAs, 401(k)s, 403(b)s, and any other savings for retirement to which you and/or your spouse or partner have contributed funds.

The Employer Opportunity to Help Participants Get Back on Track

There is a tremendous opportunity for plan sponsors to take advantage of their plan providers' offerings and implement education programs geared to helping employees get back on track. Employers, working with their plan advisor and plan provider, can and should help educate workers on how to get back on track with their retirement savings. For the last two years, the survey asked plan sponsors if they have implemented any such programs and the vast majority said, "No." Large companies were more likely to offer such programs (28 percent) compared to small companies (14 percent).



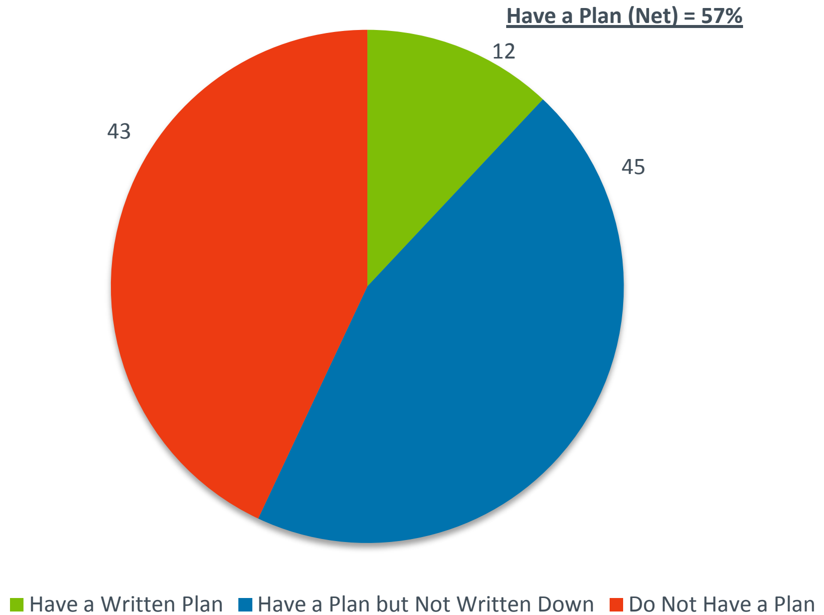
EMPLOYER BASE: TOTAL RESPONDENTS. Q2785. Since the recession began in 2008, has your company and/or your retirement plan provider implemented any programs to help employees get back on track with their retirement savings?

How Employers Can Help Participants Get Back on Track: Examples

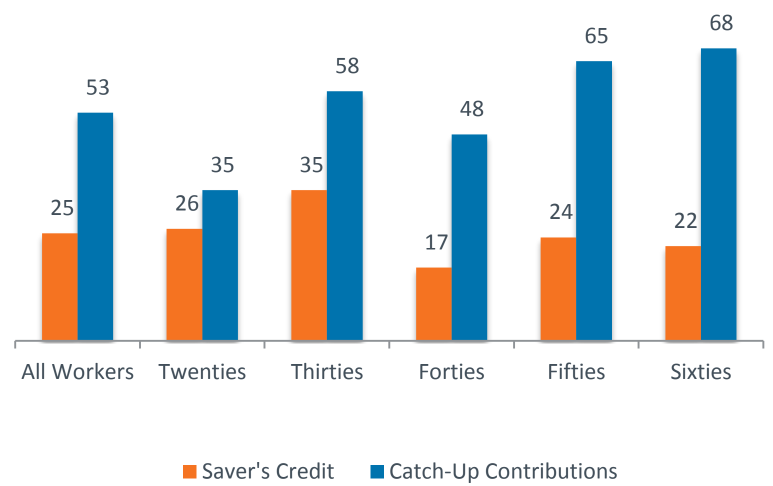
An important example of how plan sponsors can help participants get back on track is by providing resources for them to create a retirement strategy which includes: goal setting, a savings assessment and gap analysis, tips on how to save more and make investment decisions, and a back-up plan if retirement comes unexpectedly.

Raising awareness of tax incentives including the Saver's Credit for low- to middle-income workers and Catch-Up Contributions for those age 50 and older is also important. Many workers may miss out simply because they are unaware of these targeted incentives.

How would you describe your retirement strategy?
All Workers



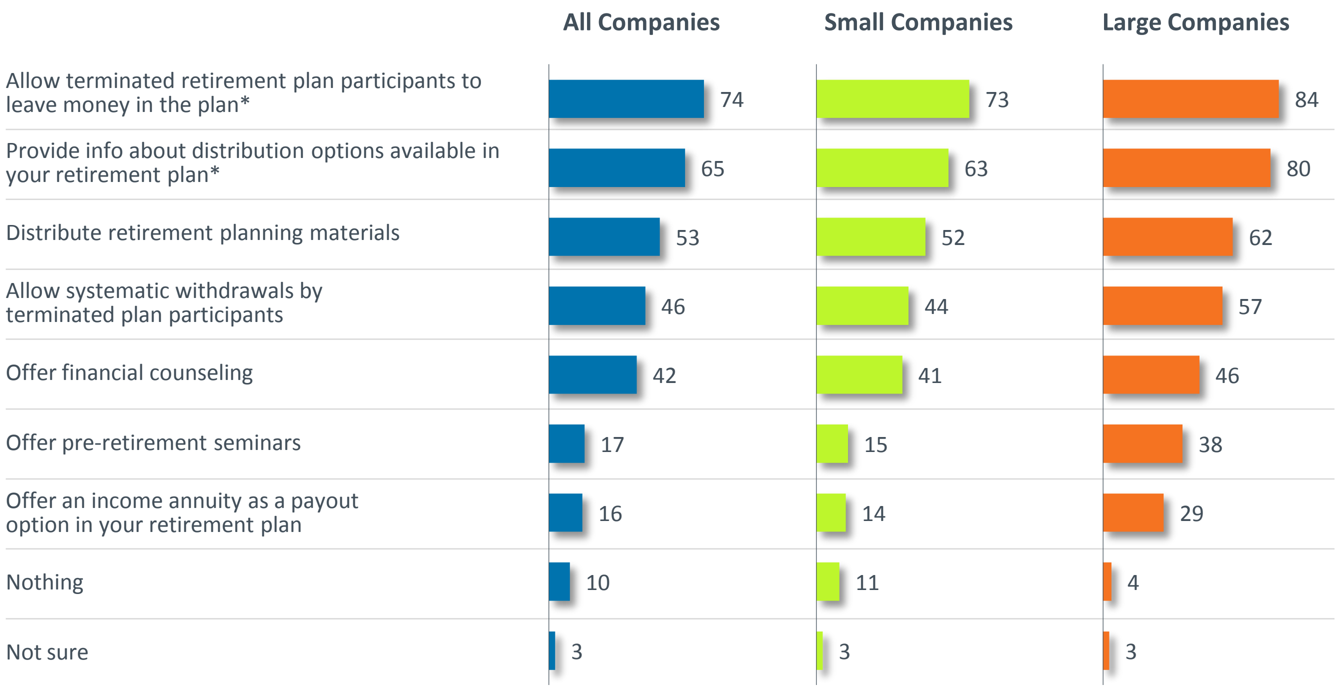
Awareness of Tax Incentives
Workers by Age Range
Yes – Aware %



WORKER BASE: ALL QUALIFIED RESPONDENTS
Q1155. Which of the following best describes your retirement strategy?
WORKER BASE: ALL QUALIFIED RESPONDENTS
Q1120. Are you aware of a tax credit called the "Saver's Credit," which is available to individuals and households, who meet certain income requirements, for making contributions to an IRA or a company-sponsored retirement plan such as a 401(k) plan or 403(b) plan?
Q1000. Are you aware that people age 50 and older may be allowed to make catch-up contributions to their 401(k)/ 403(b)/ 457(b) plan or IRA?

Plan Sponsors: Helping Workers Transition

Workers nearing retirement age face a myriad of difficult decisions regarding when and how they transition into retirement, not to mention the need for a back-up plan if they find themselves retiring sooner than expected due to unforeseen circumstances (e.g., job loss, health issues, family caregiver obligations). The survey found that plan sponsors simply aren't doing enough to assist with the transition. While the majority provide planning materials (53 percent) and information about distribution options (65 percent), fewer than half offer financial counseling, pre-retirement seminars, or an annuity as a payout option as part of their plan. Employers have a tremendous opportunity to work with their retirement plan providers to offer resources and tools to their participants who are nearing retirement.



*While regulations concerning terminated participants may require that companies perform these actions, these statistics only reflect companies' responses at the time of the survey.

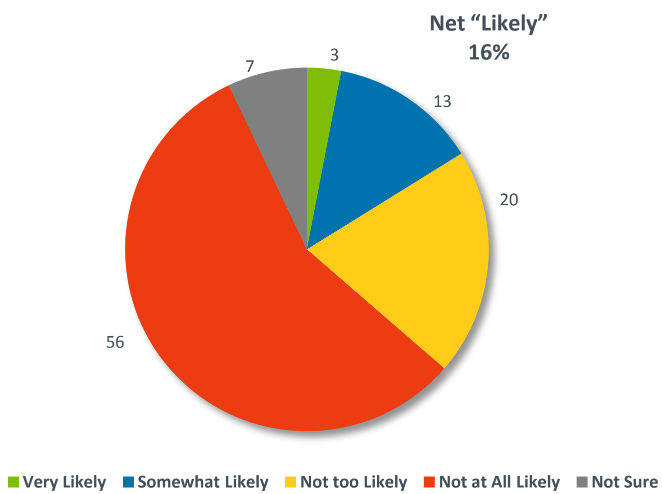
EMPLOYER BASE: OFFERS 401(k) PLAN OR OTHER SELF-FUNDED PLAN

Q770. Does your company do any of the following to help employees transition to retirement? Choose all that apply.

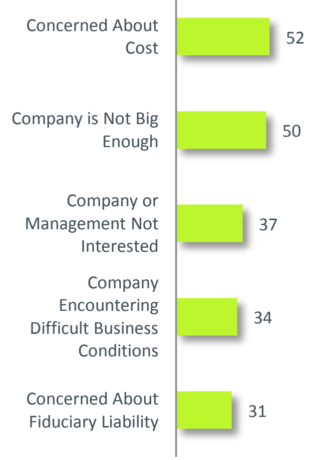
Non-Sponsors Unlikely to Add a 401(k) Plan or Similar Plan

Eighty percent of small companies (10 to 499 employees) offer a 401(k) or similar employee funded plan. Of the 20 percent that do not offer a plan, few (3 percent) indicate that they were "very likely" to begin sponsoring a plan within the next two years. The most frequently cited reasons for not doing so include concerns about cost (52 percent) and their company is not big enough (50 percent). While few were likely to begin sponsoring a plan, more than one third (37 percent) said they would be likely to consider joining a multiple employer plan run by a plan sponsor that handles most of the investment, administrative, and fiduciary duties at a reasonable cost.

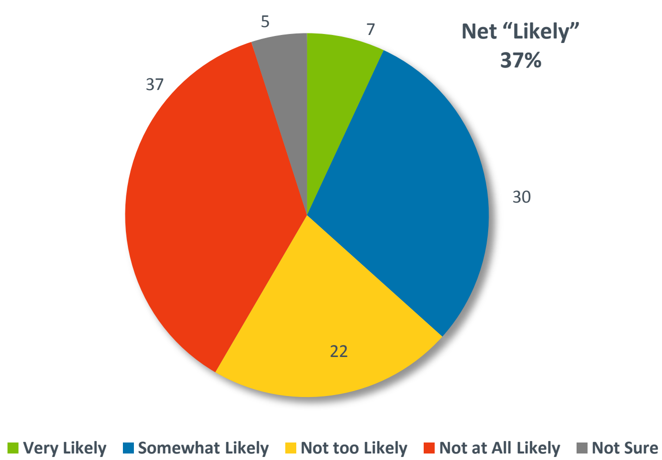
Likelihood to Begin Sponsoring a 401(k) or Similar Plan within the Next Two Years (%)



Top Five Most Frequently Cited Reasons for NOT Planning to Offer a Retirement Plan (%)



As an Alternative, Likelihood to Consider Joining a Multiple Employer Plan(%)

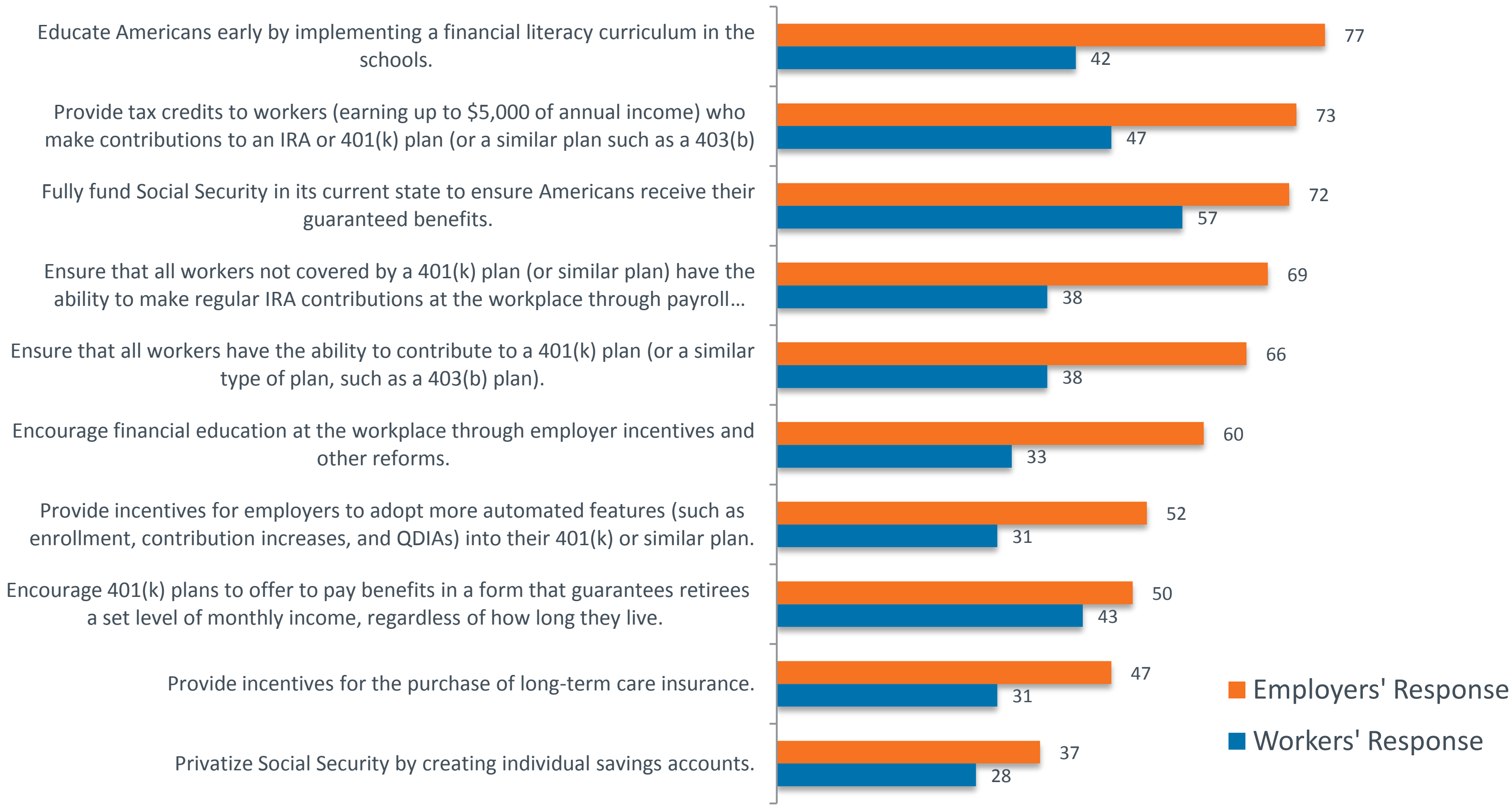


EMPLOYER BASE: DOES NOT OFFER 401(k) OR OTHER SELF-FUNDED PLAN
Q600. How likely is your company to begin offering an employee-funded retirement plan package like a 401(k) to its employees in the next two years?;
Q1605. As an alternative to establishing a stand-alone 401(k) plan, if your company had the ability to join a multiple employer plan which is offered by a reputable vendor who handles many of the fiduciary and administrative duties at a reasonable cost, how likely would you be to consider it/ switching to such a plan?
EMPLOYER BASE: NOT LIKELY TO OFFER 401(k) IN NEXT 2 YEARS
Q610. Why is your company not likely to offer a plan in the next two years?.

Retirement Security Priorities for President & Administration

Looking into the future, with an eye toward improving the retirement system, the survey asked about the retirement security-related priorities for the next President and Congress. Employers most frequently cited response (77 percent) was “educating Americans early by implementing financial literacy curriculum in schools.” Workers’ most frequently cited response (57 percent) was “fully funding Social Security.”

Which of the following should be priorities for the next President and Congress to help Americans prepare for a financially secure retirement?
% Response



EMPLOYER & WORKER BASE: ALL QUALIFIED RESPONDENTS
With the November 2012 election in mind, which of the following should be priorities for the next President and Congress to help Americans prepare for a financially secure retirement?

Conclusions

The 13th Annual Transamerica Survey found that despite the many difficult and painful decisions made by employers in the last five years with regard to cost-cutting measures, employer-sponsored retirement benefits not only remained relatively intact, but many plan sponsors even enhanced their plans by adopting “automatic” features, QDIAs, and the Roth option.

Critics of the current retirement system highlight perceived shortcomings. Are these critics right – are 401(k)s really inadequate for American workers? Many of the challenges faced by the current system, including susceptibility to adverse economic conditions, would be faced by almost any of the alternative systems being proposed. Any system that relies on employee contributions, as most of the proposals do, will encounter the same challenges in educating employees about the need to save, and providing sufficient savings incentives to cash-strapped individuals and families. This report identifies compelling successes of employer-based retirement plans, including 401(k) or similar plans, in helping workers save for retirement.

Moreover, the survey found many opportunities for further enhancements to retirement plans, all of which can help improve workers’ retirement outlook, that are well within reach and do not necessarily require extensive legislation or sweeping reforms which could be time-consuming and costly to implement. The notion that there could be a single solution for retirement security seems impossible; however, many meaningful steps can be taken and improvements made, which in part and in total have the potential to dramatically improve Americans’ retirement readiness.

Over the past five years, workers have remained committed to saving for retirement although some have taken loans and early withdrawals from their accounts. The survey found that workers reported significant increases in total household retirement savings (estimated median) in 2012 than in 2007. More importantly, the survey highlighted in 2007 and in 2012 that current levels of savings are inadequate for many workers to meet their future retirement income needs.

Conclusions

It is clear that workers need to save more. Retirement confidence was low prior to the Great Recession and now it is even lower. Perhaps it is the combination of general economic uncertainty and increased awareness of the amount needed in retirement that has fueled workers' decline in confidence. Nevertheless, current savings shortfalls are real, and, as a nation, we must strive to build a savings culture in which workers are financially literate, have access to the tools to save and plan, can make informed decisions, and have the ability to live within their means while saving for rainy days and retirement.

Working together, employers, retirement plan providers, and policymakers can help workers mitigate any adverse impacts of market volatility and economic declines by offering education, investment fund options, and retirement income solutions and helping them to adequately save for retirement and ultimately achieve retirement readiness. This report underscores that any shortcomings of the current system may be addressed by improvements which can very readily be made – if we all work together.

Recommendations for Employers & Retirement Plan Providers

Seven opportunities for which employers, working with their retirement plan providers, to help workers improve their retirement readiness include:

1. Offer a retirement plan if not already in place. And, if in place, extend eligibility to all employees, including part-time employees.
2. Proactively encourage participation in existing retirement plans. Consider the appropriateness of adding automatic enrollment and automatic escalation features to increase participation rates and salary deferral rates.
3. Add, increase and/or reinstate matching contributions to 401(k) plans. Consider structuring match to promote higher salary deferrals (as a hypothetical example, instead of just matching 50 percent on the first 6 percent of deferrals, consider adding a small match – such as 10 percent or 15 percent – on the deferrals between 6 and 10 percent).
4. Assess educational offerings to determine whether they are meeting the needs of all employees, especially those employees who may find materials and concepts difficult to understand, and make any necessary changes accordingly. Make them easier to understand.
5. Promote the educational resources offered by the company's retirement plan provider and encourage employees to take advantage of them. Also, consider:
    a. Implementing an educational campaign to help workers get "back on track" with their retirement – or simply reposition existing educational offerings with messaging about the importance of getting "back on track."
    b. Establishing an annual 401(k) retirement readiness check-up at the same time of year as healthcare open enrollment.
6. Offer pre-retirees greater levels of assistance in planning their transition into retirement – including the need for a back-up plan if they find themselves retiring sooner than expected due to unforeseen circumstances.
7. Promote awareness of the Saver's Credit and Catch-Up Contributions.

Recommendations for Policymakers

Policymakers also should consider the following to help employers and their employees increase retirement readiness:

1. Pursue legislative and regulatory initiatives to expand qualified retirement plan coverage for all workers including part-time workers:
   a. Implement reforms to multiple employer plans to facilitate the opportunity for small business employers to join existing plans to achieve economies of scale similar to large employers;
   b. Expand the tax credit for employers to start a plan; and
   c. Provide incentives to encourage plan sponsors to cover part-time workers.
2. Expand the Saver's Credit by raising the income eligibility requirements so that more tax filers are eligible.
3. Extend the 401(k) loan repayment period for terminated plan participants and eliminate the six-month suspension period following hardship withdrawals.
4. Increase workers' awareness of and ability to have their account distributed in a lifetime income stream (e.g., requiring plan statements with estimated retirement income, facilitating the ability of plans to both offer an annuity as a distribution option and to have an in-plan annuity as an investment option).
5. For automatic enrollment, raise the safe harbor default contribution rate to a level higher than the current 3 percent.
6. Target outreach campaigns to the demographic segments at greatest risk to help improve savings rates.
7. Help workers ease their transition to retirement by facilitating phased retirement.

Recommendations for Workers

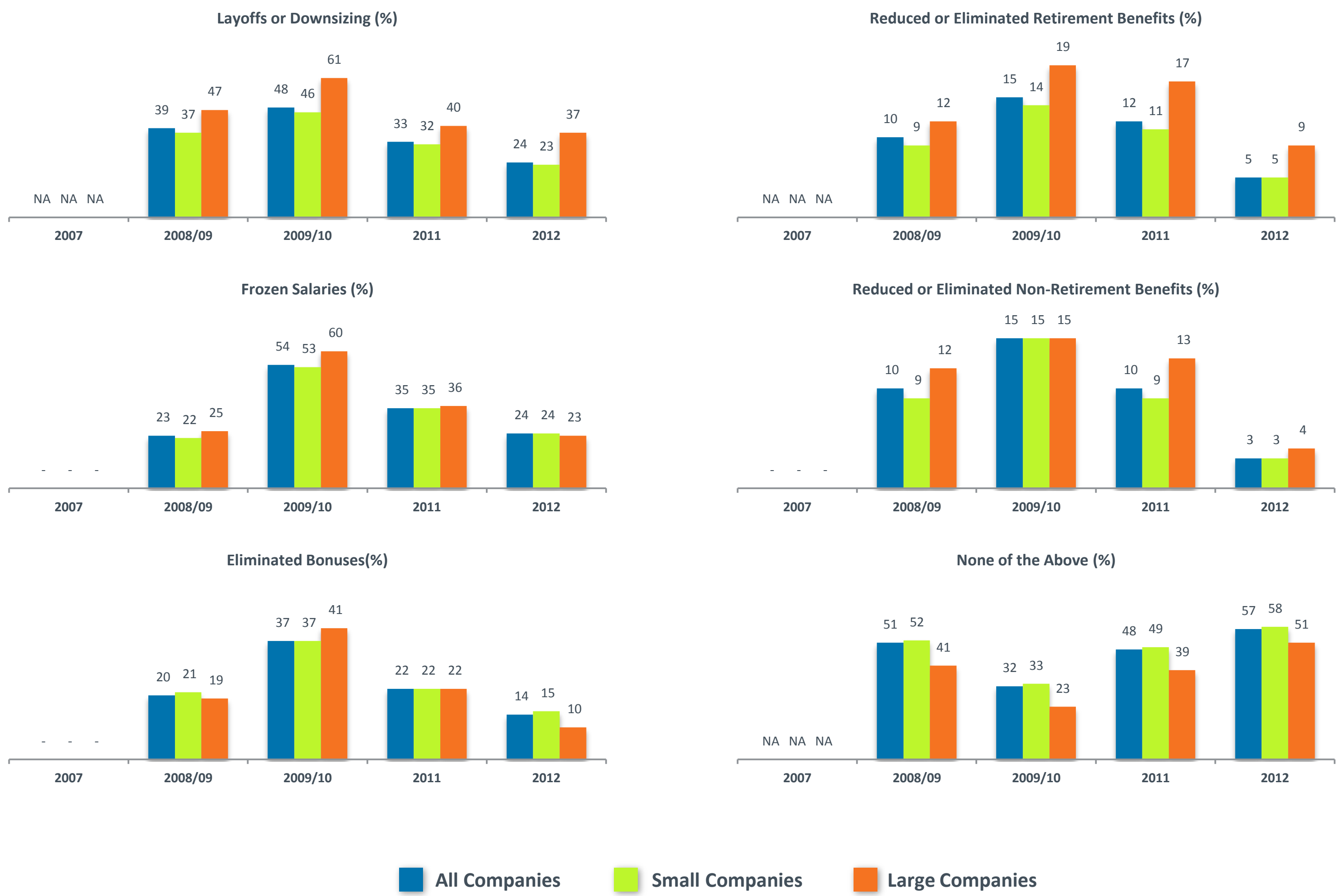
How each worker ultimately plans on spending his or her retirement is unique, but the tools to help attain retirement readiness are common to all. Seven tactics may help workers of all ages improve their retirement readiness:

1. Calculate your retirement savings needs – and save at a level to achieve those needs.
2. Develop a retirement strategy and write it down. Envision your future retirement, formulate a goal for how much you will need to save each year (be sure to include employer-sponsored retirement plans and outside savings), and be sure to factor living expenses, healthcare needs, long-term care, and government benefits.
3. Get educated about retirement investing. Seek professional assistance if needed. Learn about Social Security and Medicare.
4. If your employer offers a plan, participate. Be sure that your annual salary deferral takes full advantage of employer matching contributions, if available. Defer as much as you can. If you decide against maximizing annual salary deferrals in the plan, be sure to save for retirement outside of work.
5. Consider retirement benefits as part of your total compensation. If your employer doesn't offer you a plan, ask for one.
6. Take advantage of the Saver's Credit if eligible.
7. Have a back-up plan in the event you are unable to work before your planned retirement. Identify potential cost-cutting lifestyle changes such moving to a smaller home or taking on a roommate(s), consider protection products such as disability insurance and life insurance, get educated about possible ways to help make savings last longer including when to take withdrawals from retirement accounts to minimize taxes and penalties.

Importantly, talk about retirement with family and close friends.

APPENDIX

Cost-Cutting Measures Taken in Past Twelve Months

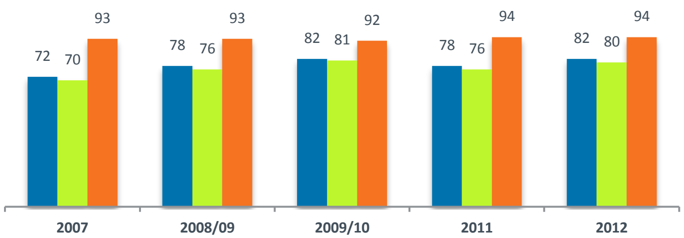


<u>EMPLOYER BASE: ALL QUALIFIED RESPONDENTS</u>

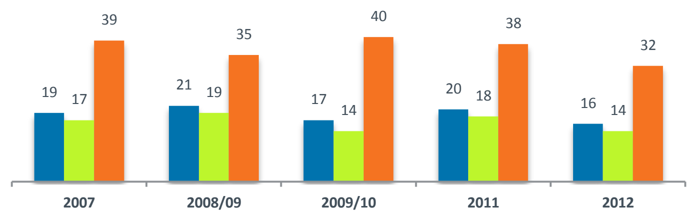
Q1410. Has your company implemented any of the following measures in the last 12 months?

Retirement Benefits Offered to Employees

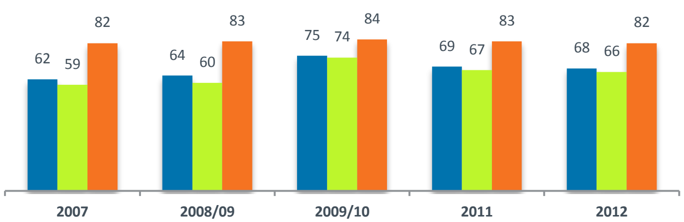
NET- Employee-Funded Plan (%)



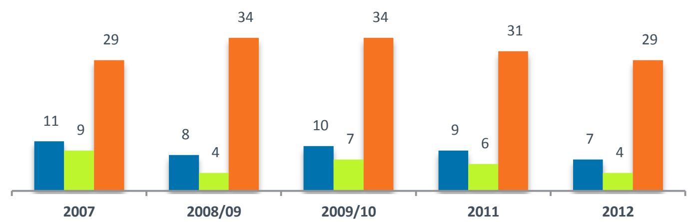
A Company-Funded Defined Benefit Plan (%)



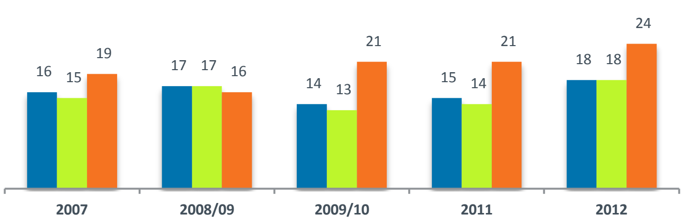
An Employee-Funded 401(k) Plan (%)



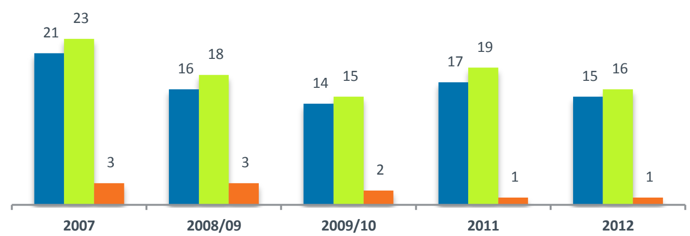
A Separate Plan for Select Executives or Senior Management (%)



Other Employee-Funded Plan (e.g., SEP, SIMPLE, Other) (%)



None of These



All Companies Small Companies Large Companies

EMPLOYER BASE: ALL QUALIFIED RESPONDENTS

Q530. Which of the following retirement benefits does your company offer?

Retirement Benefits Coverage by Age & Work Status

Access to a 401(k) or similar plan is highest among full-time workers in their Thirties (88 percent) and lowest among part-time workers in their Fifties (51 percent). Access to a defined benefit plan is highest among full-time workers in their Thirties (26 percent) and lowest among part-time workers in their Sixties (8 percent). Part-time workers in their Twenties (38 percent) are most likely to state "none of the above."

Percentage of Workers Offered Retirement Benefits by Age and Employment Status

Type of Benefit	All Workers			Twenties			Thirties			Forties			Fifties			Sixties		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
NET – An Employee-Funded Plan	76	85	57	67	80	52	83	**88**	64	80	85	65	75	86	**51**	76	85	66
• A 401(k) Plan	73	84	53	64	79	47	81	86	57	79	84	63	74	84	50	74	84	63
• A Similar Plan	6	6	5	5	5	6	8	8	9	4	5	2	5	6	3	4	3	4
A defined benefit pension plan	19	22	12	18	19	17	22	**26**	**8**	18	21	11	20	23	14	15	22	**8**
None of the Above	20	11	39	27	17	**38**	14	10	34	16	10	34	20	10	44	21	10	33

WORKER BASE: ALL QUALIFIED RESPONDENTS
Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

Retirement Benefits Coverage by Company Size

Access to a 401(k) or similar plan is highest among full-time workers in companies of 500 or more employees (92 percent) and lowest among part-time workers in companies of 100 to 499 employees (44 percent). Access to a defined benefit plan is highest among full-time workers in companies of 500 or more employees (32 percent). Part-time workers, in both companies of 10 to 99 and 100 to 499 employees (50 percent), are most likely to state "none of the above."

Percentage of Workers Offered Retirement Benefits by Company Size and Employment Status

Type of Benefit	Company Size 10 to 99 EEs			Company Size 100 to 499 EEs			Company Size 500+ EEs		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
NET – An Employee-Funded Plan	61	70	46	76	87	**44**	83	**92**	67
• A 401(k) Plan	57	67	39	74	86	39	82	91	64
• A Similar Plan	5	4	8	4	3	6	6	8	4
A defined benefit pension plan	9	**9**	10	13	14	13	26	**32**	13
None of the Above	34	25	**50**	19	9	**50**	13	5	30

WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

Retirement Benefits Coverage by Education

Access to a 401(k) or similar plan is highest among full-time workers with a 4-year college degree (88 percent) and lowest among part-time workers with a high school diploma (59 percent). Access to a defined benefit plan is also highest among full-time workers with a 4-year college degree (26 percent) and lowest among part-time workers with a high school diploma (10 percent). Part-time workers with a high school diploma (39 percent) are most likely to state "none of the above."

Percentage of Workers Offered Retirement Benefits by Education and Employment Status

Type of Benefit	High School Diploma or Some College			4-Year College Degree or More		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
NET – An Employee-Funded Plan	74	83	**59**	84	**88**	64
• A 401(k) Plan	72	82	56	82	87	60
• A Similar Plan	4	4	4	7	8	6
A defined benefit pension plan	16	19	**10**	24	**26**	15
None of the Above	22	12	**39**	13	9	31

WORKER BASE: ALL QUALIFIED RESPONDENTS
Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

Retirement Benefits Coverage by Gender

Access to a 401(k) or similar plan is highest among men who work full time (86 percent) and lowest among women who work part time (58 percent). Access to a defined benefit plan is highest among men who work full time (23 percent) and lowest among women who work part time (10 percent). Women who work part time (39 percent) are most likely to state "none of the above."

Percentage of Workers Offered Retirement Benefits by Gender and Employment Status						
Type of Benefit	Women			Men		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
NET – An Employee-Funded Plan	72	83	**<u>58</u>**	79	**<u>86</u>**	56
• A 401(k) Plan	69	82	54	77	84	51
• A Similar Plan	4	4	4	7	7	7
A defined benefit pension plan	16	21	**<u>10</u>**	21	**<u>23</u>**	15
None of the Above	25	12	**<u>39</u>**	17	10	38

WORKER BASE: ALL QUALIFIED RESPONDENTS

Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

Retirement Benefits Coverage by Household Income

Access to a 401(k) or similar plan is highest among full-time workers with household incomes of $100k or more (91 percent) and lowest among part-time workers with household incomes less than $50k (46 percent). Access to a defined benefit plan is highest among full-time workers with household incomes of $100k or more (31 percent) and lowest among part-time workers with household incomes less than $50k and $100k or more (10 percent). Part-time workers with household incomes less than $50k (49 percent) are most likely to state "none of the above."

Percentage of Workers Offered Retirement Benefits by Household Income and Employment Status

Type of Benefit	HHI < $50k			HHI $50k-$99k			HHI $100k+		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
NET – An Employee-Funded Plan	62	78	**46**	77	83	63	88	**91**	73
• A 401(k) Plan	59	78	41	74	81	58	85	90	69
• A Similar Plan	4	2	5	4	3	6	10	11	7
A defined benefit pension plan	11	11	**10**	20	21	18	27	**31**	**10**
None of the Above	34	18	**49**	18	12	32	10	6	24

WORKER BASE: ALL QUALIFIED RESPONDENTS
Q1180. Which of the following retirement benefits does your company currently offer to you, personally?

The Pension Protection Act (2006)

On August 17, 2006, Pension Protection Act of 2006 (“PPA”) was enacted into law. This landmark legislation provided the legal framework for defined contribution plans that enabled plan sponsors to maximize the effectiveness of their retirement plan and help their plan participants with building their nest eggs in preparation for retirement. At that time, the Transamerica Center for Retirement Studies® prepared a summary of the new law and outlined of its provisions in order of effective date. Some of the key provisions of the PPA addressed:

- 401(k) plans with auto-enrollment, default investments such as strategic allocation or target maturity funds, annual deferral increases, and a safe harbor plan design provided certain requirements are met.
- Investment advice through the plan sponsor’s retirement plan provider or an independent third party – advice could take the form of a computer-based model that is audited by an independent third party, or it could be in the form of a compensation-based model in which a credentialed financial adviser delivers the advice for a fee that is not dependent on the participant’s decision of whether or how to follow the advice.
- Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”) permanence, including making permanent the previously legislated sunset provisions for the Roth option, the Saver’s Credit for tax filers who meet certain income requirements, and Catch-up Contributions for individuals age 50 and older.

This year, 2012, marks the fifth anniversary of the implementation of many of these key provisions. As this 13th Annual Transamerica Survey Report highlights trends through the difficult economic environment over the past five years, it also highlights the progress of employers adopting the provisions that were afforded to them by the PPA.

Weathering the Economic Storm: Retirement Plans in the United States, 2007-2012

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