Research Report
Defined Contribution

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Global Retirement Reality Report

The Future of Retirement Happiness at Work

STATE STREET GLOBAL ADVISORS

Contents

A New World, A New Role

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In 2018, we conducted a global survey targeting people at every stage of the retirement saving and spending spectrum. Our aim was to observe retirement realities through the lens of the individual saver and gain insight into people's experiences with saving systems globally. We were most interested in where the expectations of retirement met reality, where they fell short and what emotional drivers guided retirement readiness.

From the 2018 data, we came to a formula for retirement happiness, and then calculated outcomes by region. The resulting happiness scores helped to facilitate regional conversations, share global best practices and further action around policy and investment innovation, including retirement income.

In 2019, we took a different perspective on happiness, turning the spotlight onto the plan sponsor. For the employer, happiness in the workplace translates into the language of business — productivity, efficiency and bottom-line benefits — but that's not to say that the motivation isn't altruistic. In fact, our study reveals that employers care deeply about doing right by their employees. But, in the case of retirement savings plans, sponsors are still finding their way from good intentions to actions, with the main obstacles being the following:

- Desire to support savers is stymied by employers' limited view of their employees' complete financial picture
- Retirement policy is still in flux in many countries, leaving employers without definitive direction but creating the opportunity for sponsors to decide how to communicate their commitment to employees
- Opportunity to offer access to advice hasn't been fully embraced, creating a "responsibility vacuum" that impedes both employer and employee objectives

Within this paper, we will look less at the drivers of retirement happiness and more at how employers can help advance them, and in doing so, work toward the future of retirement in actionable increments. Retirement, like happiness, is not one thing, but rather a combination of individual and societal objectives. We believe both employer and employee viewpoints are important to make retirement work — today and into the changeful future.

If you have any questions or would like to discuss the ideas in this paper, please contact us. To view the full breadth of our survey material, including regional reports highlighting country-specific insights, visit ssga.com/gr3.

Key 2019 Takeaways

The dimensions of the Happiness Formula — **trust, ownership and preparedness** — are also applicable to the sponsor segment, but they shift shape and meaning through the sponsor lens.

In 2018, we presented the factors of the Happiness Formula to reflect the sequence of participant success: One must first trust in the savings systems to accept ownership of one's role in achieving retirement readiness. After embracing responsibility, a participant can get down to the business of saving, assessing and adjusting for preparedness.

But through the sponsor lens, the chronology is slightly different. Sponsors must first have a sight line into participant preparedness to help manage and measure retirement readiness. However, the harder a given savings system makes the issues of access and portability, the harder it is for sponsors to have a clear view into employees' level of preparedness.

For sponsors, trust in the system means being aware of and engaged in the sort of policy advocacy that helps further retirement issues. Building trust with employees is a different but related matter, achieved by designing and communicating the dimensions of plans that are thoughtful in their construction, intuitive to use and aimed at participants' best interests: saving enough and making it last. Offering environmental, social and corporate governance (ESG) or retirement income investment options or financial wellness programs are ways sponsors can express a more holistic point of view, both in terms of investment strategy and participant experience.

Ownership becomes an extension of trust, in that sponsors appreciate that even for those participants invested in a well-designed plan, the responsibility for retirement readiness is great and professional guidance is valuable. To support participants' ownership of their retirement future, sponsors are looking to find their role in creating access to advice.

In the chapters to come, we will explore each element of the formula and offer actionable steps to furthering happiness.

1 **To support preparedness**, plan sponsors can explore:

- Tools, such as dashboards, aggregating fuller financial pictures for employees, including all past retirement plan savings and benefits due from the state.
- Opportunities to nurture and nudge savings goals and behaviors, based on better insight into savings sufficiency.

2 **To build trust in the retirement plan**, sponsors can:

- Stay aware of and engaged with public policy activities in order to further retirement industry progress.
- Continue to design plans that are in the best interest of participants and easy to use. Automation can help to achieve these objectives.
- Incorporate ESG values into default strategies through low-cost funds such as index and smart beta.

3 **To encourage defined contribution (DC) savers to take greater ownership of their retirement outcomes**, plan sponsors can:

- Make retirement planning advice readily available to participants to support both the saving and spending phases of retirement.

Survey Methodology

Our 2019 Global Retirement Reality Report (GR3) research captures the insights of decision makers from five countries who represent a range of industries and a spectrum of plan sizes. By gaining plan sponsors' perspectives, we are adding greater dimension to our own approach for delivering better retirement solutions.

State Street conducted an online survey, in conjunction with international data analytics firm YouGov, across five countries that reflect an array of retirement systems. The 195 plan sponsors surveyed have responsibility for more than 1.5 million DC participants within various industries and plans.

Survey Sample by Country

Region	Number Surveyed
Australia	41
Ireland	30
Netherlands[1]	37
United Kingdom	45
United States	42

Defining Plan Sponsors

In this report, we define "plan sponsors" as the employers who engage with retirement savings plan design, management and communication to savers. In the different countries surveyed, employers have different levels of plan sponsor responsibility, with some employers being wholly focused on plan management and others taking a less tactical role. However, all employers, or plan sponsors for the purpose of this paper, are invested in improving employee retirement savings outcomes.

See pages 28 and 29 of the Appendix for additional survey methodology detail.

Revisiting the 2018 Formula for Happiness

Happiness, existing in the emotional neighborhoods of confidence, ease, acceptance and optimism, is an increasingly important dimension of modern life — one that economists now look to in combination with conventional financial factors when examining market drivers. Given the significance of retirement, not only as a financial transition but also as an emotional one that is often linked to issues of identity and social connection, the role of happiness is critical to consider.

In our 2018 GR3 study, we surveyed 9,451 people across eight countries: Australia, Germany, Ireland, Italy, the Netherlands, Sweden, the United Kingdom and the United States. Respondents represented every stage of the retirement spectrum, from those new to the workforce to those later in retirement itself, to give us a better understanding of the milestones and inflection points across the savings journey. All respondents participated at some level in a DC or private savings plan. Three themes arose across all countries:

- **Preparedness** defined as retirement *savings sufficiency* (has enough money been saved?) and *spending acumen* (do savers know how to spend it wisely in retirement?), as articulated by responders
- **Trust** defined as employees' confidence in the savings system (specifically, that monies saved will be accessible at the point of retirement)
- **Ownership** defined as employees' understanding and acceptance of their role in the savings system; this is a particularly important dimension within the DC construct, as employees' participation is required for success

We then layered these sentiments onto the well-established quantitative baselines created by the Organisation for Economic Co-operation and Development (OECD) and the Melbourne Mercer Global Pension Index. These industry benchmarks offered additional data to inform the preparedness and trust dimensions, respectively. What was most interesting about the OECD and Global Pension Index data was that high savings assets and good marks didn't necessarily translate into participant optimism as expressed in the survey (see Appendix).

This gap between savings sufficiency and sentiment became the focus our 2018 report and led to a closer examination of retirement plan structures by country. In order to identify key global trends, we have surveyed countries at different stages of DC maturity:

Figure 1
Mapping Happiness Scores

	Netherlands	UK	Ireland	Australia	US
Average Happiness Score	2.1	2.4	2.6	3.9	4.1
Trust in Savings Systems	1.7	2.0	2.3	3.3	3.3
Ownership of Retirement Role	1.9	2.3	3.8	4.7	4.9
Preparedness of Retirement Saving and Spending Strategies	2.8	3.0	1.8	3.8	4.0

Source: State Street Global Advisors. Scores calculated based on a weighting of 2018 GR3 survey responses, ranked OECD and Melbourne Mercer Global Pension Index data and the volume of policy change by country.

See pages 30 and 31 of the Appendix for additional 2018 Happiness Formula detail.

Our 2019 survey shifted the focus from plan participants to sponsors. In places, this additional perspective has allowed us to measure the consistency between plan sponsors' and participants' survey responses. Across the two surveys, we compared sponsor and individual answers to five specific questions:

1. Confidence of savings sufficiency in retirement (Figure 3)
2. Adequacy of income replacement in retirement (Figure 4)
3. Importance of ESG within the investment menu (Figure 8)
4. Responsibility for sourcing retirement advice (Figure 12)
5. Responsibility for covering the cost of retirement advice (Figure 12)

The questions that were consistent across the two samples were deemed as having "answer proximity." Those countries that had closer responses between sponsors and participants received higher alignment scores (5=highest, 1=lowest). The alignment scores were averaged across the five questions above.

Figure 2
Aligning Plan Sponsor and Participant Responses Across 2018–2019 GR3 Surveys

Region	Alignment Score
United States	4.2
Australia	3.8
Ireland	2.4
United Kingdom	2.3
Netherlands	2.3

Source: State Street Global Advisors.

Interestingly, alignment scores by country also followed the spectrum of happiness, as defined by the 2018 report (Figure 1), suggesting that we have a consistent platform upon which to evaluate sponsors' responses within the dimensions of preparedness, trust and ownership, which helps us understand how they believe these levers can be applied to increase retirement happiness.

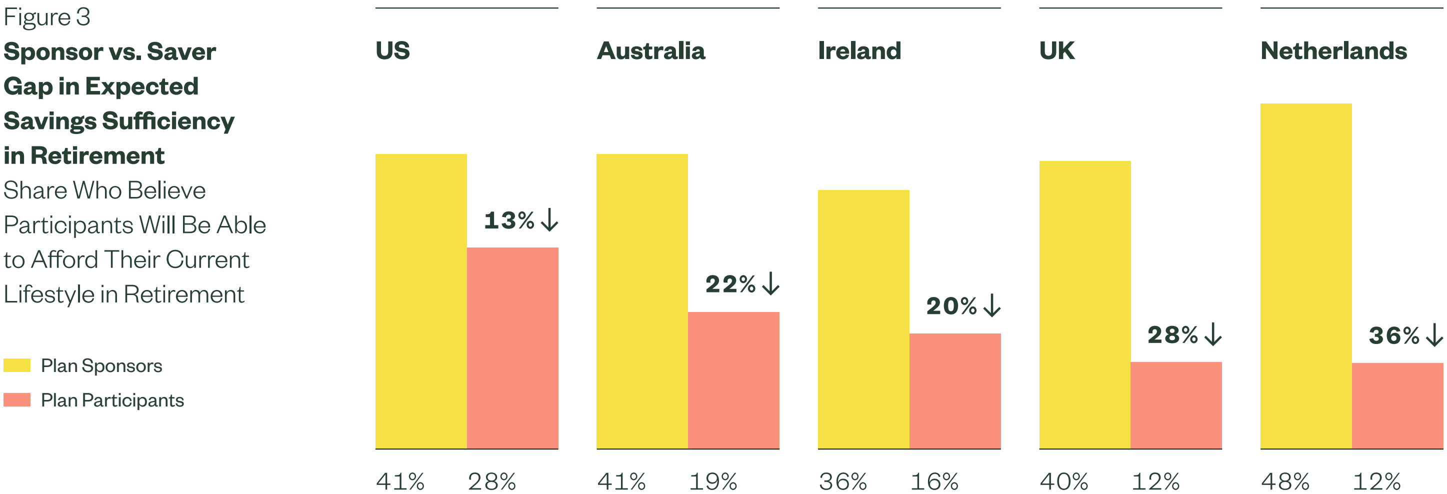
Preparedness

Preparedness points to plan sponsors' and participants' assessments of whether their retirement savings will be enough to provide a comfortable retirement. For sponsors to be able to design the best plans, they need more insight into the progress participants have made on their savings journey.

First, we asked plan sponsors to estimate their participants' financial preparedness for retirement. On average, respondents estimated that 41% of their participants would be able to retire and afford their current lifestyle. We asked the same questions of our participants in 2018 and received an even less positive response.

Generally speaking, what percentage of your employees/members do you expect to be able to afford their current lifestyle in retirement, assuming they retire by the normal retirement age?

Figure 3
Sponsor vs. Saver Gap in Expected Savings Sufficiency in Retirement
Share Who Believe Participants Will Be Able to Afford Their Current Lifestyle in Retirement



Source: State Street Global Advisors. n=5,861; n=195.

Similarly, expected income replacement ratios for those retiring in the next five years are very low. Expressed as a percentage of final salary, the expected replacement ratio for the cohort of employees retiring in the next five years is estimated to be below 40%, averaging 29% across all regions. However, when compared to employee estimates from our 2018 survey, the OECD net replacement ratios for average earners, are significantly higher than sponsors or savers predicted, averaging 74% across all regions and suggesting that plan sponsors do not have a complete picture of participants' full financial portraits:

Figure 4
Examining Income Replacement Rates from Multiple Angles

More Aligned ⟵⟶ Less Aligned

	Australia	Ireland	Netherlands	United Kingdom	United States
2019 GR3 Plan Sponsor Survey (n=195) Plan sponsor estimate of replacement ratio for employees retiring in next 5 years	34%	28%	33%	27%	23%
2018 GR3 Participants Survey (n=2,463) Expected replacement ratio from participants approaching retirement	47%	46%	14%	46%	57%
OECD Pensions at a Glance 2017 Net replacement ratios for average earners	43%	77%	101%	62%	87%

Notes: OECD[2] replacement ratio includes DC, defined benefit (DB) and government benefits.

While plan sponsors were more optimistic than employees about their savings sufficiency, it's the participants who predicted higher replacement rates. So how can we reconcile the discrepancies between sponsor and participant responses and across the responses made within each segment? One interpretation is that sponsors acknowledged incomplete insight into participants' full financial pictures, but they assumed the best, specifically, that employees have additional savings outside of the plan (see later comments within this report regarding the lack of visibility and transferability). But when plan sponsors were pushed to quantify employees' future retirement income as a percentage of current pay, they guessed low, likely based on their limited view. For participants, their expected income replacement ratios were higher than those assumed by sponsors but still possibly not high enough to maintain their preferred lifestyle.

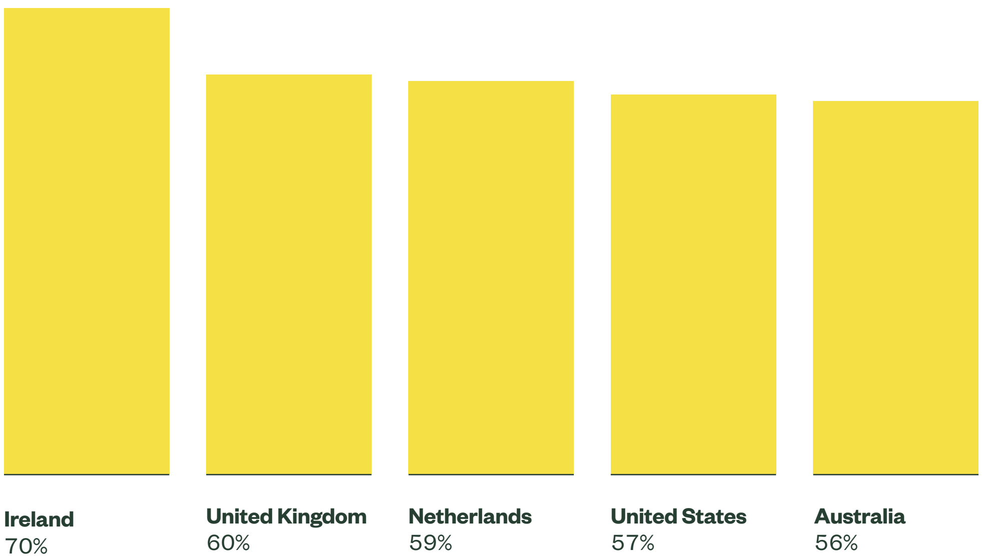
Australia, with the longest DC savings system tenure, appears to be the most aligned across sponsor, saver and OECD replacement ratio data — consistency that may be a consequence of system maturity.

Changing demographics, increased job transitions over a single career, and the growth of the gig economy have highlighted the twin issues of portability and sponsors' limited insight into participants' retirement readiness. As such, it is more likely that employees will have multiple savings sums with different employers. Given this evolving dynamic, plan sponsors believe participants value the ability to easily transfer their DC savings to different providers over the course of their working life.

Specific to the gig economy, the number of freelance workers is expected to more than double in five years — from nearly 4 million in 2016 to 9 million by 2021.[3] Today, this growing segment doesn't have access to workplace-sponsored retirement savings plans, an issue which, left unaddressed, will only further the savings shortfall.

How much do you think that employees/members value the following in a retirement plan: Transferability of pension plan (to another provider)?

Figure 5
Sponsors' Perception of Portability's Importance to Participants



Source: State Street Global Advisors. Reflects percentage that believes portability is either very or extremely important. n=195.

Irish plan sponsors felt the most strongly about transferability, with 70% stating that this would be important to their participants. The Irish government has recently taken steps to address this sentiment by proposing a Central Processing Authority, similar to the KiwiSaver model in New Zealand. A key feature of this proposed model is account portability between employers, facilitated by a "pot follows participant" approach.[4]

Anticipating a Comprehensive Financial View

If transferability is not feasible or economical, the industry could work to better aggregate pension information through easy to use online channels. In the UK, there are plans to launch a Pensions Dashboard, which will be an online portal where individuals can view details of all of their pensions together.[5]

> **"I don't see any changes in my industry directly — but people move a lot, making it hard on both the employee and the employer to manage pension funds. The government has to do something about these fixed-term employees, because when they change jobs so many times over the course of career, they end up having many parts to their pension. So focusing on the funds accrued at their current position is an incomplete way to manage these employees' full portfolios."**
>
> —UK, Media and Communications, Finance Officer, Membership between 1,001 and 5,000

Plan sponsors could also look to the Netherlands' Pension Register platform, which offers full insight on all plan participants, showing the combined value of various pension pots and estimated retirement incomes, as well as risk covers.

Trust

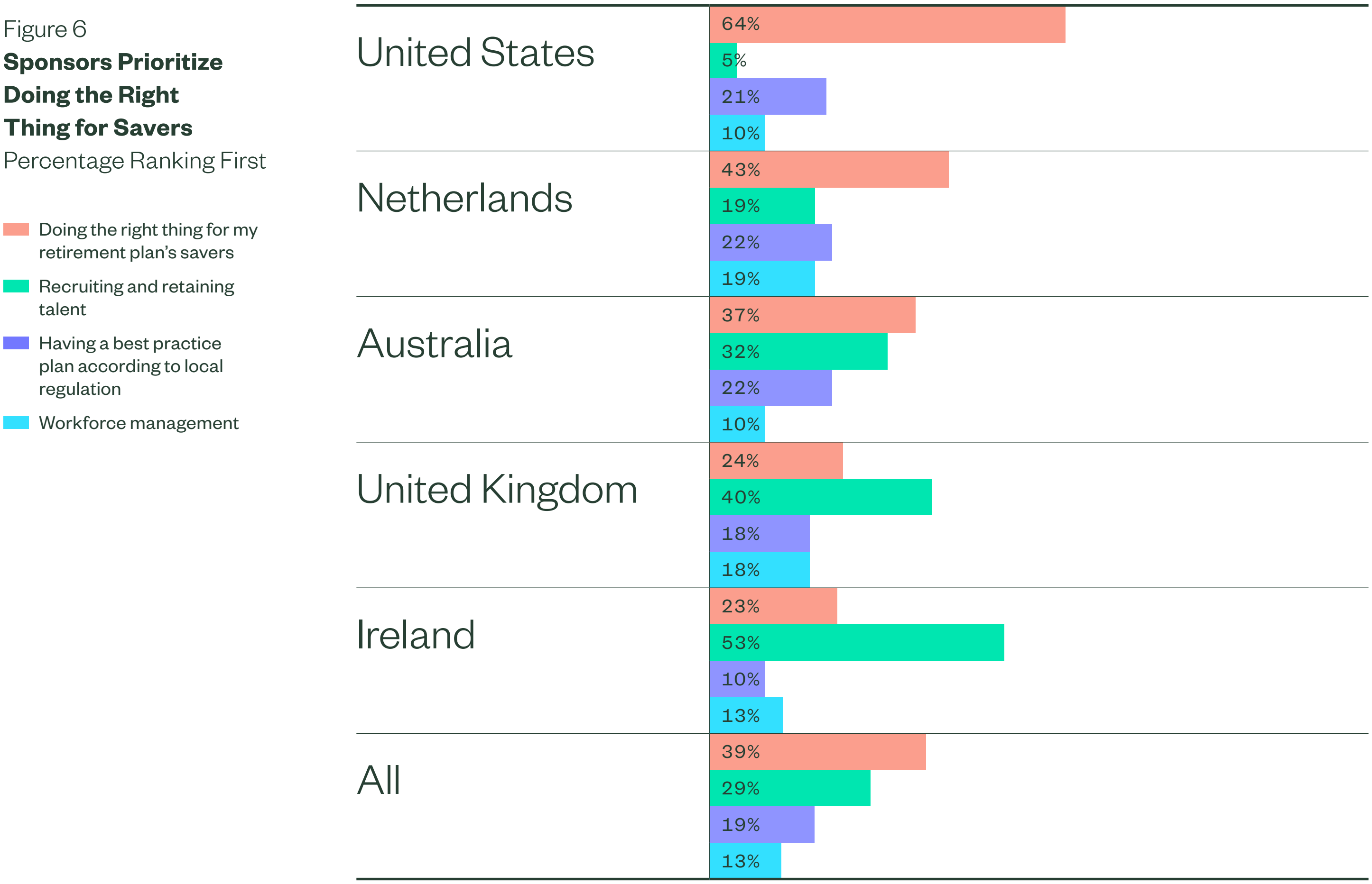
In order to build trust, it is essential that plan sponsors are motivated to meet the goals of their participants.

On average, doing the right thing for savers is the sponsor's top priority (Figure 6). In the retirement realm, the desire to "do good" takes on many forms: policy advocacy, investment menu selection, plan design, ongoing education and wellness programs, and access to advice. While not all sponsors can deliver on each dimension, testing into some areas of trust building can drive better overall engagement.

Following the importance that employers ascribed to "doing the right thing" vis-à-vis a workplace-sponsored savings plan, sponsors also saw a sound plan as a way to recruit and retain talent, particularly in Ireland and the UK, where the climate of reform ups the ante for employers looking to secure a top-tier workforce. Interestingly, the US ranked lowest on this dimension, though benefits are increasingly becoming a point of differentiation in the currently tight labor market. Creating a plan that stands out as an exemplar of regulatory best practices ranked lower (being compliant is most likely sufficient for most), as did workforce management — though this last dimension is a thornier issue, about which sponsors may be reticent.

Please rank the following in terms of importance to you and your organization.

Figure 6
Sponsors Prioritize Doing the Right Thing for Savers
Percentage Ranking First



Source: State Street Global Advisors. n=195.

In Australia, where superannuation funds are responsible for most of the plan design and governance, plan sponsors have no more reason to be interested in participants' retirement plans than they do their mortgages. However, "doing the right thing for my retirement plan's savers" was still the most common priority for Australian plan sponsors. Refreshingly, there is no evidence that the motivation for doing the right thing declines as DC systems become more established.

Retirement legislation has recently seen a burst of activity in the US. In May 2019, the SECURE Act passed with overwhelming bipartisan support in the House of Representatives (though as of publication, the bill is still awaiting passage in the Senate). Proposing the most comprehensive retirement policy changes in over a decade, the SECURE Act would increase access to workplace-sponsored savings structures through open multiemployer plans, help boost savings through increased auto-escalation, and address longevity by paving the way for lifetime income solutions.

Similarly, in Ireland, the government published its pension's road map in 2018, laying out plans for the introduction of auto-enrollment in Ireland by 2022, with aims to markedly boost participation and retirement savings adequacy.

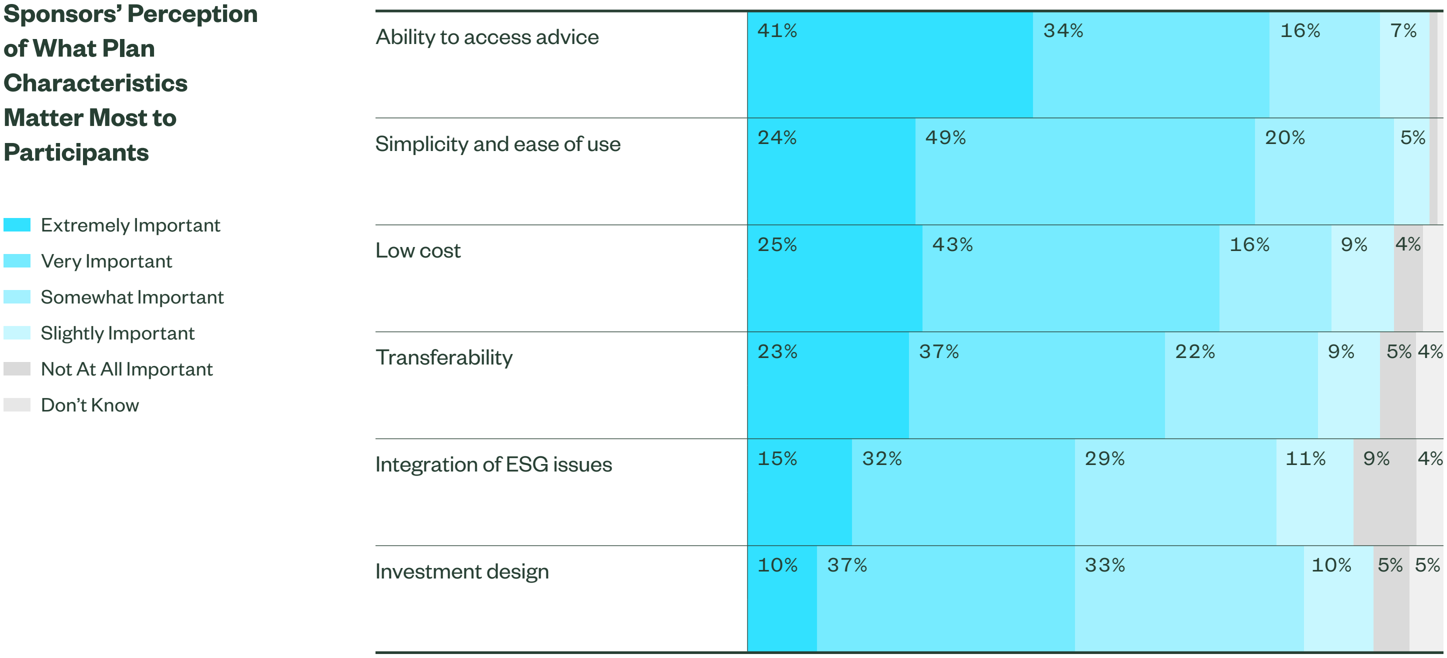
The UK and Ireland placed the highest importance on recruiting and retaining talent, noting that the retirement plan is an important tool for promoting the attractiveness of the company to existing and future staff.

Sponsors are executing on their commitment to their employees by anticipating the plan dimensions participants most value and need.

How much do you think that employees/members value the following in a retirement plan?

Figure 7

Sponsors' Perception of What Plan Characteristics Matter Most to Participants



Source: State Street Global Advisors. n=195.

Overall, three-quarters of our global respondents said they think that their employees value the ability to access financial advice. Respondents also stated that simplicity and ease of use are important.

We believe automatic features can help plan sponsors bring simplicity to their plans. For example:

- Automatic enrollment of employees into the retirement plan to maximize participation rates
- Auto-escalation of contribution levels to ensure that participants save enough for retirement
- Well-designed default investment strategies with age-appropriate asset allocations that allow participants to "set-it-and-forget-it"

Incorporating ESG Investing Contributes to Building Trust

In a recent State Street study conducted by the UK research consultancy Ignition House, 56% of respondents stated that they would have more trust in their DC plan if they knew it was being used for socially responsible investment.[6] Plan sponsors across the world also saw the value in incorporating ESG into default investment strategies, though interestingly, when compared to our 2018 participant survey, sponsors appeared to attribute greater importance to ESG.

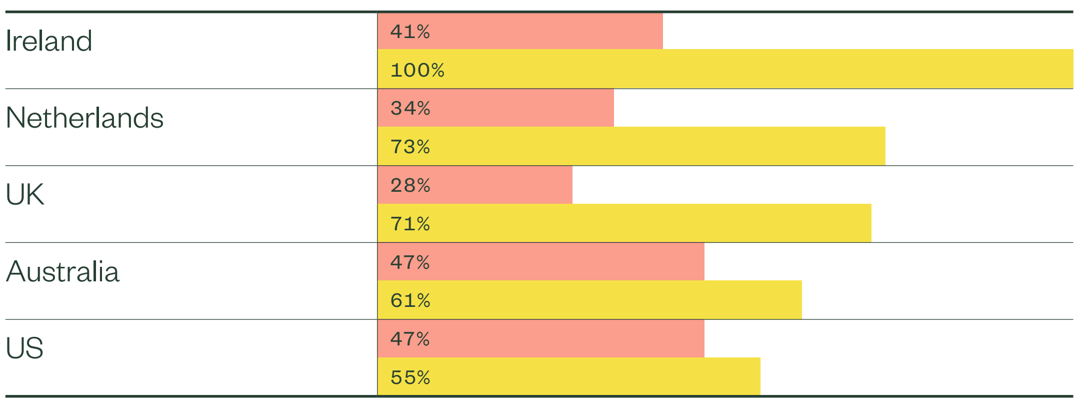
This sponsor-participant discrepancy is particularly wide in those countries where ESG is better adopted, which is an unusual finding. A reason for this gap may lie in the ways the questions were asked. For participants, the phrasing led respondents to rank the importance of different savings plan dimensions, including whether sufficient savings would be accrued, the ways in which savings would be accessed in retirement, and how the plan impacted the date at which people retired. These dimensions, which focused on the ability to retire, all ranked higher than whether ESG investment options were available, which seems rational. In this context, investment menu selection, specifically ESG, becomes secondary to the ability to exit the workforce, as evidenced by the responses from those countries known to be highly receptive to ESG but dubious about the support of their savings system, such as the Netherlands. However, on average, 40% of respondents still attributed a high value to ESG, even in the context of a more needs-based question.

How important do you think it is to incorporate Environmental, Social and Corporate Governance, known as ESG, considerations into your plan's investments?

Figure 8
The Importance of ESG

Participants who believe having access to ESG investment options is important

Plan sponsors who believe offering ESG investment options is important

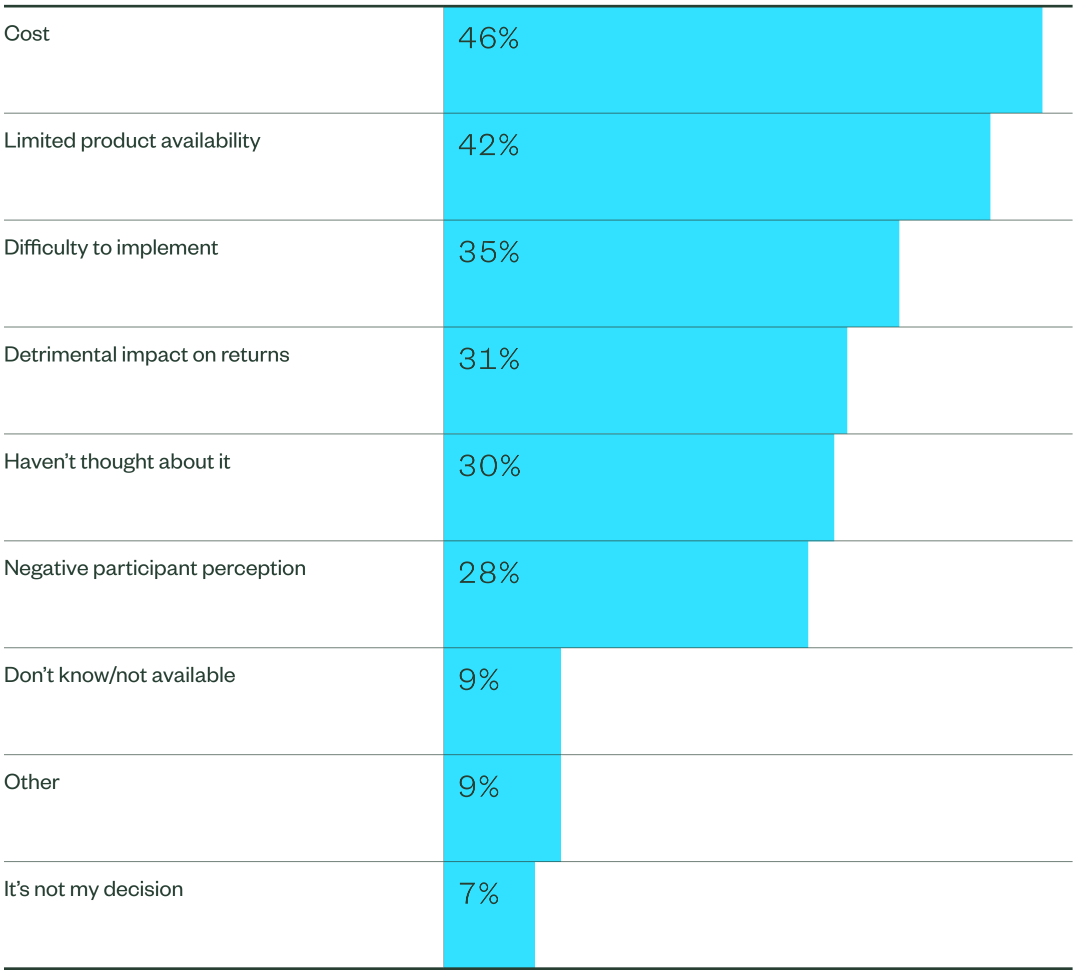


Source: State Street Global Advisors. n=5,861; n=195.

Despite the perceived importance of ESG-focused investments, we know in practice that many plans have not yet taken steps to incorporate ESG. We asked respondents what the reason for not incorporating ESG was.

If you don't incorporate or plan to incorporate ESG in the coming years, what are the main reasons for this?

Figure 9
What's Holding Sponsors Back from ESG Adoption



Source: State Street Global Advisors. n=195.

In the past, choosing between values such as ESG or performance was often presented as a zero-sum game, suggesting that driving impact came at the cost of better returns. We believe this is a false choice and that a company's environmental actions, social behaviors and governance practices can have a positive impact on performance. Our survey indicated that plan sponsors agree, as less than a third reported "lower returns" as the key reason for not incorporating ESG to date. We expect the perception of sacrificed returns will continue to abate over time and with more consistent ESG data.

At State Street, we are working to create a clearer, more consistent foundation for ESG data, combining multiple data sources with active company engagement to deliver standardized, transparent ratings and reporting. This new in-house ESG scoring system, called R-Factor, collects raw company metrics from multiple data providers and scores more than 5,000 companies on a consistent scale of 0 to 100. Its goal is to take the guesswork out of ESG reporting, easing the adoption of ESG strategies.

In addition, cost, which could be defined as plan or investment management or transaction fees, ranks highly in terms of perceived importance and is also the main reasons for not incorporating ESG. This calls for the industry to continue creating innovative products that not only incorporate ESG values but also deliver value for money. Cost-effective solutions such as index funds and smart beta can help address some of these challenges.

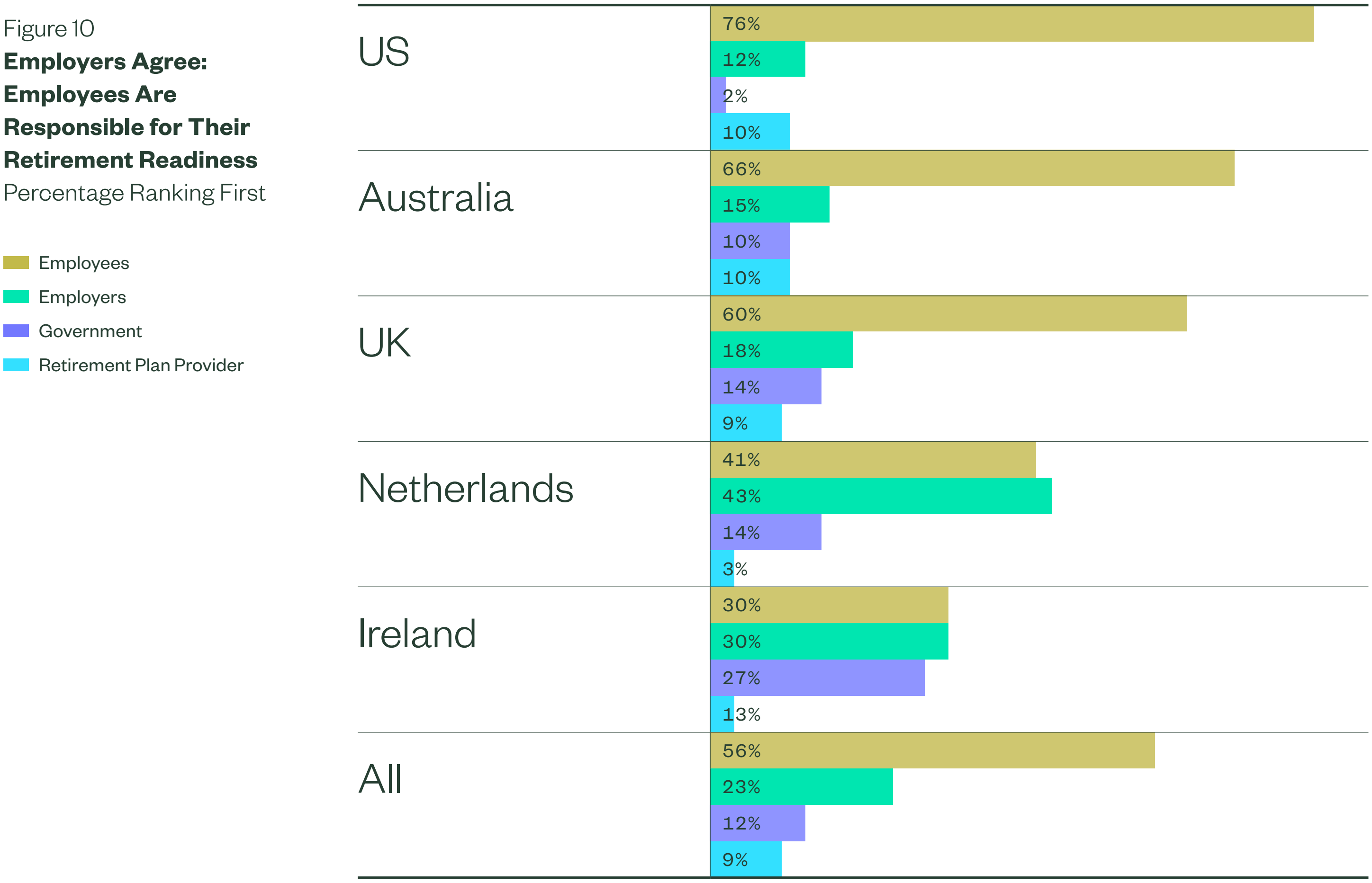
Ownership

Within DC retirement systems, savers are responsible for their own success. Employers acknowledge this autonomy and consider what role to take in providing access to professional financial advice.

The sentiment that savers own their retirement outcome is supported by more than half of all plan sponsors surveyed (Figure 10). This responsibility is both empowering and fraught, as employees bring different levels of interest and acumen to the task of retirement readiness.

Who is most responsible for making sure members/ employees have adequate income in retirement?

Figure 10
Employers Agree: Employees Are Responsible for Their Retirement Readiness
Percentage Ranking First



Source: State Street Global Advisors. n=195.

Comparing these results with what individuals said in our 2018 survey, Australia, the UK and US appeared to have the strongest alignment between plan sponsors and participants on the issue of responsibility (Figure 11). This could be a reflection of these countries having more mature DC systems and therefore greater acceptance of where financial responsibility should sit.

It is to be expected that the plan sponsors in Ireland and the Netherlands still place significant responsibility on the employer given that their DC savings systems are in their infancy. However, there is a misalignment between savers and sponsors on this issue, suggesting that savers are showing greater signs of embracing the individual responsibility that DC systems entail.

Our comparisons between sponsor and saver results showed that countries with more mature DC systems had greater alignment on the degree of individual ownership assumed. Those countries with lower alignment scores, the Netherlands and Ireland in particular, are countries that are in the process of creating more established DC savings systems.[7] Policymakers should note that individuals in these countries assume a greater degree of individual ownership than is expected. This is a good foundation for the new retirement savings systems; however, effective guidance and advice could be used to further support this transition.

Who is most responsible for making sure members/employees have adequate income in retirement?

Figure 11
Sponsors vs. Savers Alignment on Employer & Employee Retirement Readiness Responsibilities
Percentage Ranking First

Source: State Street Global Advisors. n=195.

The Advice Equation: Sourcing Expertise, Covering Expense

Across the 2018 and 2019 GR3 surveys and regions, 64% of respondents said that employees own the responsibility for retirement readiness, but that doesn't mean savers are equally equipped. While some relish the exercise of constructing and managing their portfolios, others are paralyzed by the perceived complexity. Automatic plan features and default investment options have helped ease the path to saving, but participants often navigate the technical terrain of the retirement transition by themselves — and not by choice. The appetite for advice is significant, with 73% of participants surveyed last year stating that they would like their employer to make them aware of all of the options with regard to retirement planning.

For sponsors, offering access to advice aids participants' preparation and supports on-time retirement; it can also be a competitive differentiator in attracting and retaining talent. While employers are embracing this concept in the financial wellness space, there are still questions in the advice arena about responsibility for sourcing expertise and covering expense.

In posing the question to our respondents, we learned that the majority of sponsors see it as the employee's responsibility to seek sources of advice. This trend was the strongest in the countries with more mature DC systems.

The Netherlands felt comparatively less strongly about this (78%), and it also placed significant responsibility on the employer (68%) and government (57%).

While 80% of Irish respondents identified the individual as responsible for sourcing advice, there was also strong sentiment for friends and family (83%), financial advisors (83%) and the government (60%) as accountable resources.

How much responsibility, if any, do you think each of these parties has for providing employees/members with advice regarding their retirement savings?

Figure 12
Sponsors Weigh in on Sourcing for Advice

Who Finds the Advisor
Who Pays for Advice

Response	Employees	Employer/ Plan Sponsor	Government	Recordkeeper/ Administrator
Netherlands	78%	68%	57%	57%
	41%	59%	22%	30%
Ireland	80%	83%	60%	53%
	60%	17%	67%	47%
UK	91%	71%	53%	44%
	71%	42%	49%	40%
US	88%	62%	52%	55%
	64%	55%	14%	20%
Australia	83%	51%	51%	37%
	54%	37%	37%	46%

Source: State Street Global Advisors. n=195.

Interestingly, there were some clear splits at the country level about who should cover the cost of this advice. In the UK (71%) and the US (64%) respondents felt that it should be the employee, while 67% in Ireland thought that it should be the government. According to Dutch plan sponsors, the employer should cover the costs (59%).

While sponsors don't reflect a clear pattern of alignment on how the cost of advice is covered, it is important that the conversation is gaining momentum. In fact, the responses to questions about sourcing and payment show that nearly all of the options got support, suggesting the truism that if everyone is responsible, no one is. With advances in artificial intelligence driven robo-advice, the cost of these services will most likely decrease and may ultimately become a standardized plan service. Until that time, sponsors are defining responsibility on a firm-by-firm basis.

A parallel conversation about employer responsibility is happening on the topic of skills training, given the accelerating ubiquity and sophistication of technology in the workplace. edX, a US-based online learning platform, conducted a survey of 1,000 Americans between the ages of 25 and 44, asking questions focused on career shifts and continuing education. The survey revealed that 41% of respondents feel it is an individual's responsibility to anticipate and sharpen skills required by the jobs of the future; 33% feel it is an employer's responsibility; 16% believe it is higher education's responsibility; and 9% believe it is up to the government.[8] The stratification over "who is responsible" echoes the issues facing retirement savings, specifically in the DC space. Like retirement, there is an expectation that over time, sentiment will most likely shift, with individuals seeking more from their employers — from reskilling solutions to lifetime income.

Closing Thoughts

The definition of work is actively evolving. People are changing employers more frequently, moving in and out of the gig economy and taking mid-career breaks that can look like mini-retirements. While some can't imagine ever retiring, and others find themselves prematurely obsolete due to a lack of skills training, still others are seeking to accelerate the retirement process.

In the US, the Financial Independence, Retire Early (FIRE) movement is gaining traction with those who are hoping to retire by their 40s. The philosophy behind FIRE is that living frugally and investing strategically leads to financial independence faster, enabling people to lead their happiest, most complete life outside of the constraints of a career.

While the FIRE movement is manageable for only a small slice of the workforce, the mentality of work-life *fluidity* — as opposed to *balance* — is a meaningful change of focus, to which plan sponsors are trying to recalibrate. This year's GR3 effort highlighted some of the ways that sponsors are anticipating and repositioning to meet the evolving work experience and to help deliver employees greater retirement happiness:

- Gaining a more comprehensive view of employees' financial ecosystems, including past savings plans and other investment vehicles, can help employers provide investment options and advice that meet participants' actual needs (rather than merely their perceived ones).

- Staying current on the policy issues that affect retirement savers will make employers better able to pivot plan options. In addition, employers can build trust with thoughtfully designed plans that include automatic options and ESG investments. Such plan features take a more holistic view, align with the long-term investing horizons of DC plans and will be another expression of commitment to savers.

- Bridging the advice gap and investing in ongoing participant communications that follow the savings journey and support the retirement transition will lead to more confident, less financially anxious and better prepared employees. In addition, as the dimensions of life and work increase in complexity, employers should prepare to be seen as proactive facilitators, connecting employees to advice and education to last throughout a long career — and a longer life.

At State Street, we are able to support sponsors in each of these dimensions: executing plan ecosystem analyses to gain a view into savings sufficiency, offering access to leading regional policy experts, sharing ESG strategies and developing bespoke participant communications. It is our mission to deliver retirement solutions for people, plans and policymakers globally. Given employers' commitment to doing the right thing for employees, we know we are speaking to an allied audience with a shared sentiment: Empower people to retire with dignity — not only today but also into the fast-changing future.

Appendix

Additional Survey Methodology Detail

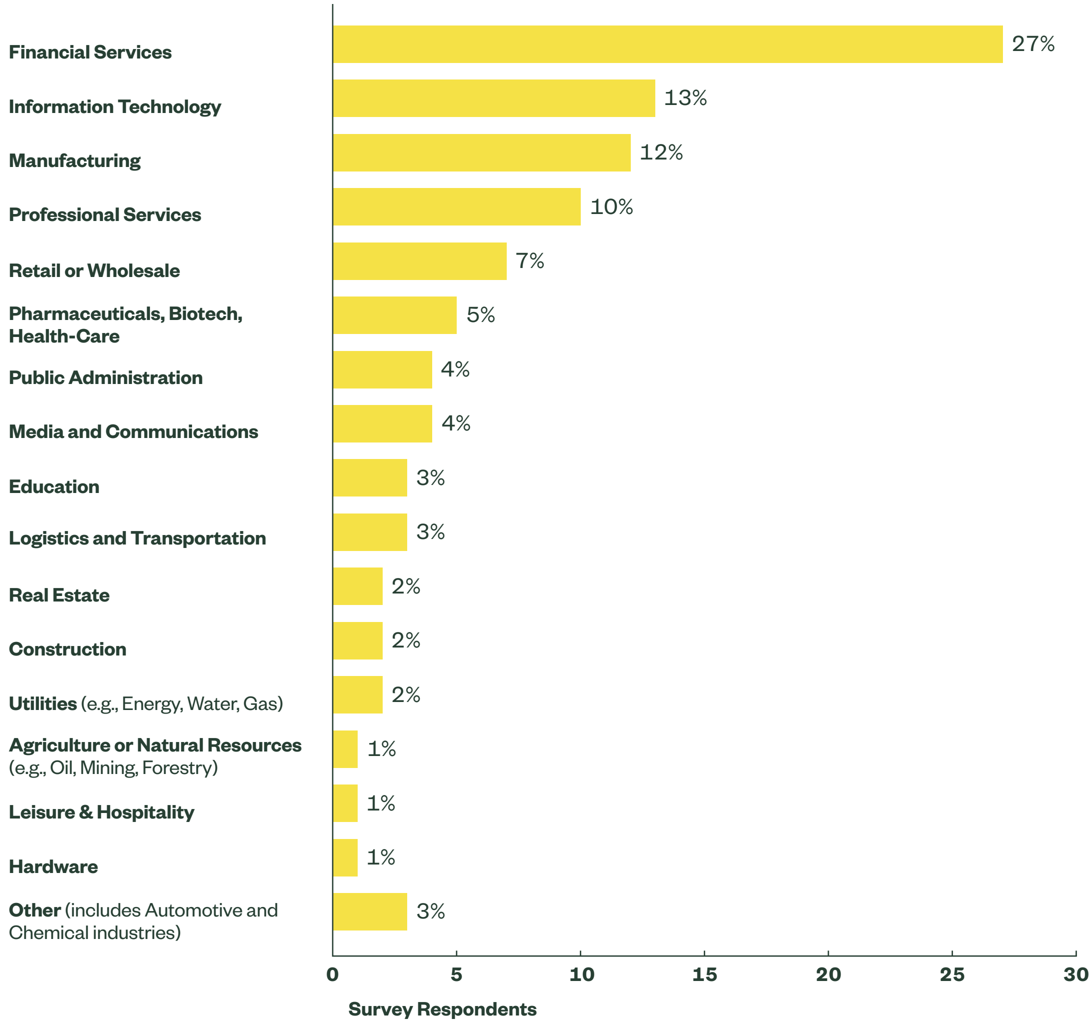
Reflects a concentration among financial decision makers, suggesting a closer connection to the investment issues associated with the plans, complemented by participant insights offered by human resources (HR) respondents. Those who identified as “other” include executive leadership, advisors and consultants.

Figure A
Role Types Across Survey Sample

Source: State Street Global Advisors. n=195.

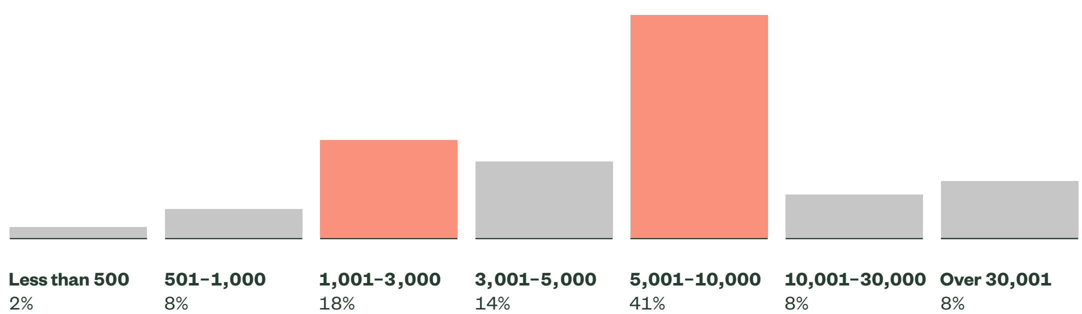
Reflects a concentration of financial services firm respondents (27%), followed by a more diverse distribution of respondents across 15 industries.

Figure B
Industry Distribution of Survey Sample



Features participant size clusters in midsized (1,000 to 5,000 participants) and larger-sized (5,001 to 10,000 participants) plans.

Figure C
Plan Participant Distribution of Survey Sample (Number of Participants)



Source: State Street Global Advisors. n=195.

Our five-country sponsor sample represents a range of perspectives, from financial decision-makers to human resource leadership, within diverse industries and across different plan sizes. Given the specificity of the audience surveyed, the samples are significantly smaller than those in our 2018 survey though the contributors are arguably more focused on and fluent in workplace retirement savings plan issues.

Additional 2018 Happiness Formula Detail

Figure D
Spectrum of Retirement Savings Adequacy

Source: OECD Pensions at a Glance 2017.

Figure E
2017 Grading on a Curve
The Melbourne Mercer Global Pension Index

B+	B+	B
Netherlands	Australia	Ireland
C+	C	
UK	US	

Source: 2017 Melbourne Mercer Global Pension Index.

This gap between savings sufficiency and sentiment became the focus our 2018 report and led to a closer examination of retirement plan structures by country. In order to identify key global trends, we have surveyed countries at different stages of DC maturity:

Figure F
DC Maturity Spectrum Featuring Key System Characteristics

Less ← DC Maturity Spectrum* → More

	Netherlands	Ireland	United Kingdom	United States	Australia
Investments in Illiquid Assets					
Lifetime Income Guarantee					
Mandated Contribution Minimum					
Automatic Enrollment					
System Structure Highlights	Strong assets and a well-developed mandatory system DB currently dominates with only 10% of pension assets represented by DC plans Ongoing major pension reforms introducing new DC plan design	Low levels of pension savings Plans for the introduction of auto-enrollment	Automatic enrollment and the 'Freedom of Choice' reforms further integrated DC into the pensions system	Well-established DC system and strong level of savings for those employees with access Only half of working Americans have plan access	Comprehensive, well-established system Strong precedent of saving into DC plans

Feature of Regional Plans   May Be Available/Ability to Opt Out

* DC maturity refers to the overall dependence on DC savings. The dependence is a result of the prevalence of DC plans within a given market. Markets which use illiquid investments, mandated contribution minimums and automatic enrollment are more DC mature.
Source: State Street Global Advisors.

Endnotes

1 DC plans are defined as retirement plans with a fixed premium contribution. In the Netherlands, this includes defined contribution (65% of Dutch sponsors surveyed) and collective defined contribution (35% of Dutch sponsors surveyed) plans. The latter plan construct pools participants' savings together and pays out a "target income" in retirement based on actuarial and investment-related assumptions.

2 OECD Pensions at a Glance 2017. https://www.oecd-ilibrary.org/social-issues-migration-health/pensions-at-a-glance-2017_pension_glance-2017-en;jsessionid=XmwGNUavibyRh-eKSEwv04J1.ip-10-240-5-185

3 Intuit and Emergent Research, "Dispatches from the New Economy: The On-Demand Economy Worker Study," June 2017. https://www.naco.org/featured-resources/future-work-rise-gig-economy#after-related

4 Government of Ireland, "A Strawman Public Consultation Process for an Automatic Enrolment Retirement Savings System for Ireland," November 4, 2018. http://www.welfare.ie/en/downloads/Automatic_Enrolment_Strawman_Proposal.pdf

5 UK Pensions Dashboard Prototype Project. https://pensionsdashboardproject.uk/industry/about-the-pensions-dashboard-project/

6 Ignition House research for Defined Contribution Investment Forum. April 2018. Q: If you knew that your defined contribution pension money was being used for Responsible Investment, to what extent do you agree or disagree with the following statement: "I would have more trust in my pension."

7 The Netherlands is amid major pension reforms introducing new DC plan design and transferring all DB/CDC past services to DC plans. Ireland has announced plans to introduce auto-enrollment whereby all eligible workers will be enrolled into a DC plan.

8 Boston Globe, "How Boston's C-suites can prepare their employees for the future of work," August 15, 2019. https://www.bostonglobe.com/opinion/2019/08/15/how-boston-suites-can-prepare-their-employees-for-future-work-how-boston-suites-can-prepare-their-employees-for-future-work/NhbqjrCtMwpQIOYZfbA5nM/story.html

Learn More

For more detail on our Global Retirement Reality Report, please visit **ssga.com/gr3**, where you will find additional content, including region-specific reports on the five countries surveyed.

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- Build from breadth
- Invest as stewards
- Invent the future

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* AUM reflects approximately $36 billion (as of June 30, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

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