



Retirement Markets 2013

Data & Dynamics of Employer-Sponsored Plans

Overview

In its eleventh iteration, this annual report provides key metrics such as growth and assets under management for key retirement market segments, as well as other demographic trends within U.S. employer-sponsored retirement plans. This report covers corporate, non-profit, and governmental defined contribution (DC) plans, as well as corporate and governmental defined benefit (DB) plans.

Data comes from six proprietary surveys:

- 403(b) Providers
- Financial Advisors
- Defined Contribution Investment Only (DCIO)
- DC Market
- DC Plan Sponsor
- Retail IRA

Benefits

- Explore retirement market growth characteristics, including projections through 2018
- Identify opportunities in the DB, DC, and DCIO markets
- Review impact of regulatory and economic factors on DC plans
- Analyze plan sponsor data
- Examine investment allocations among primary retirement plans
- Assess detailed information about retirement specialist advisors
- Determine retirement distribution trends

Questions Answered

1. What are the current DCIO trends?
2. Where is the asset manager opportunity within the DB market?
3. How are regulatory and economic factors impacting DC plans?
4. What is the marketshare of the major retirement markets?
5. What are the opportunities within 403(b) segments?
6. What is the influence of advisors, consultants, recordkeepers, and plan sponsors by segment?
7. What are the trends in the dispersion of active and retired/separated employees in private DC plans?



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Research Included with Subscription

A subscription to this report remains active through 12/18/2014 and includes online access to the following related Cerulli research:

- Ten years of Cerulli Quantitative Update: Retirement Markets
- State of Retirement Income: Addressable Opportunity Strategies and Future Outlook 2009
- IRA Rollover and Retention: Strategies and Positioning 2008
- Pension and Investment Consulting: Insight for Asset Managers in DB and DC 2008
- DC and DB in the Megaplan Marketplace: Asset Management and Provider Opportunities 2007
- Institutional Sales and Relationship Management 2007
- State of the 403(b) and 457 Marketplace: Challenges and Opportunities 2007
- State of the 401(k) Marketplace 2006
- Five additional related reports dating back to 2002

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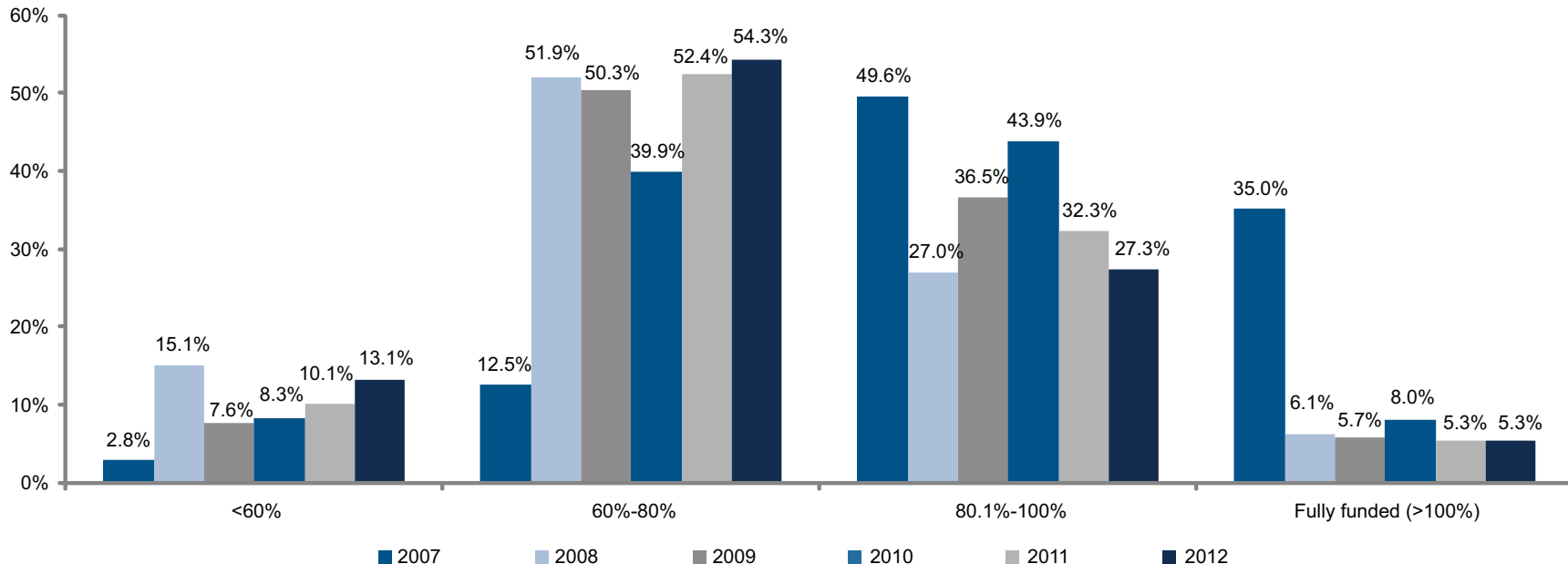
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EXHIBIT 8.24

Distribution of S&P 500 Pension Assets by Plans' Funding Level, 2007-2012

Sources: S&P 500, Cerulli Associates

Analyst Note: Under PPA 2006, plans with funding ratios below 60% must freeze benefit accruals and are prohibited from offering lump sum payouts to beneficiaries. Plans between 60% and 80% funded are also subject to benefit restrictions.



- The percentage of fully funded pensions offered by S&P 500 companies stayed flat at 5.3% in 2012.
- Pension assets for plans sponsored by S&P 500 companies (337 in total) grew by 6.0% to \$1.5 trillion in 2012. However, pension liabilities ballooned to nearly \$2.0 trillion as the discount rate declined to 3.93% from 4.71%. As a result, pension underfunding increased to \$452 billion from \$355 billion, with an associated pension funding ratio of 77.3%.

Key Implication: The worst funded plans grew as a percentage of total plans for the third consecutive year as a declining discount rate grew liabilities faster than plan assets, which were aided by strong capital market performance. Interest rates remain the key factor in the fluctuation of plan funded ratios. Despite a sustained downward trajectory for interest rates and poor pension funding in recent memory, things are starting to change. Over the last 12 months (November 2012 to October 2013), the cumulative asset return for the Milliman 100 pensions was 9.80% and the funded status deficit improved by \$392 billion, primarily due to rising interest rates. The discount rate as of one year ago on October 2012 was 3.96% (one of the lowest on record). Moreover, the funded ratio of the Milliman 100 companies expanded over the past 12 months to 91.9% from 72.0%. For S&P 500 company pensions, corporate contributions were much larger than expected, with \$74.5 billion contributed in 2012, nearly 62% higher than the expected contribution of \$46.0 billion at the beginning of 2012. For FY 2013, companies are expecting to contribute USD 42.9 billion to their DB plans.

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