GLOBAL RETIREMENT SURVEY 2015

Our third annual survey captures attitudes and perspectives among retirement savers worldwide, including:

Australia **Ireland** **United Kingdom** **United States**

STATE STREET GLOBAL ADVISORS

CONFIDENCE REBOUNDS, DEFYING GRAVITY & PERHAPS REALITY

Retirement savers in our study experienced a dramatic increase in their confidence that they would meet retirement goals. This surprisingly consistent result led us to a deeper investigation about what was driving this short-term trend. At a high level, we notice that five common forces tend to impact retirement confidence worldwide. These include: culture, economy, regulation, plan design and the individual circumstances of retirement savers. Each country in our survey represents its own distinctive defined contribution ecosystem. At the same time, our survey results highlight many similarities.

Survey Methodology

This survey was conducted in partnership with TRC Market Research and Rice Warner. Data were collected in May 2015 through a 12-minute Internet survey using a panel of 3,652 retirement savers, aged 22 to 81, who were working at least part-time and participated in retirement savings plans.

All data is at a 95% confidence level. For Australia, the maximum sampling error is +/-5.81 percentage points for in-plan and self-directed advised (note that Australian self-directed unadvised is +/-8.50 percentage points). For Ireland, the maximum sampling error is +/-8.84 percentage points. For the United Kingdom, the maximum sampling error is +/-5.59 percentage points. For the United States, the maximum sampling error is +/-5.40 percentage points.

All facts and opinions are from the 2015 Global Retirement Survey unless otherwise noted.

Key Survey Findings in 2015

Retirement confidence is up dramatically in Ireland, the United Kingdom and the United States. Among U.S. investors participating in an employer-sponsored retirement plan, 51% of these "in-plan savers" feel extremely or very confident about their retirement readiness, up from 36% last year.

Financial wellness sways retirement confidence. Among U.S. in-plan savers, 66% say the top reason for feeling confident is "having invested appropriately." In addition, 80% say "have not saved enough" is the top reason for lack of confidence.

Contribution rates play a major role in retirement readiness, yet may not drive confidence on their own. Australian in-plan savers reported lower confidence while contributing at higher rates than U.S. counterparts. This finding was surprising given that Australians reported saving 41% more for retirement.

Gender and age impact how individuals perceive retirement confidence. Among U.K. in-plan savers, 20% of women report feeling confident or very confident about retirement, compared to 43% of men who report the same. In reality, their financial situations may lie somewhere in between.

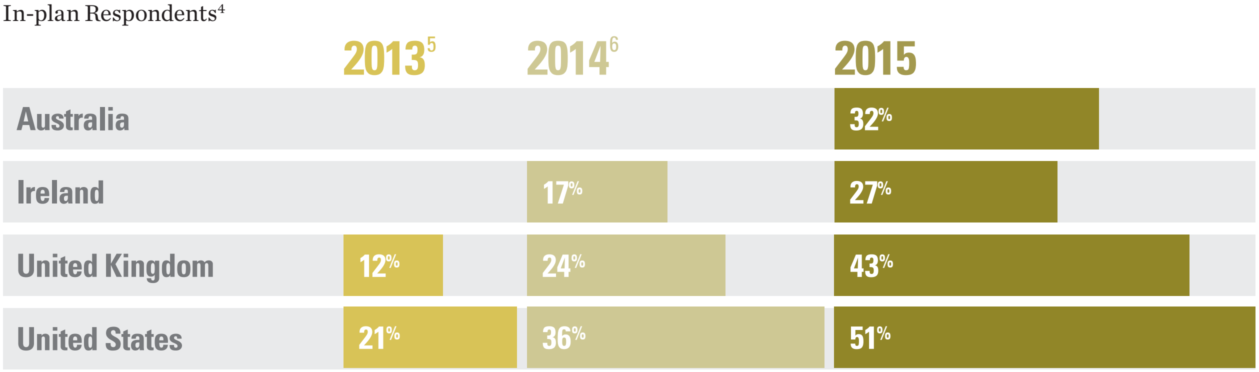
Engagement and tailored guidance increase retirement confidence, emphasizing the importance of engaging employees in their workplace retirement plans, as most workers lack a personal financial advisor. The survey found Irish savers in a workplace plan and those working with an advisor equally valued all categories of financial information and tools listed, including guidance from their employers, the government and online planning tools.

RETIREMENT CONFIDENCE BOUNCES BACK OVER THE SHORT TERM

In Ireland, the United Kingdom and the United States, retirement confidence among in-plan participants has risen dramatically over the past three years.[1] Through our discussions with local regulators, industry groups and plan sponsors, we have identified several likely reasons for the increase. It is worth noting that retirement confidence was starting from a very low base in 2013,[2] the first year of our survey, likely stemming from residual economic pain from the financial crisis of 2008–2009.

The 2015 global retirement survey shows that savers are feeling better about the future, but many still lack adequate savings. There's still important work to be done. In the United States, retirement confidence has more than doubled since 2013.[3] In part, the increase in retirement confidence may be a natural corollary to a general increase in overall consumer confidence.

Figure 1: Feel Extremely Confident or Very Confident They Will Meet Retirement Goals
In-plan Respondents[4]



Source: State Street Global Advisors (SSGA).

In **Australia**, we have only one year of data to report, but confidence seems low when compared to the United States and the United Kingdom. One factor may be that Australia's commodities market has been hit hard by a drop in global commodities prices creating uncertainty for retirement savers.[7] Notably, Australians have saved more than any other region in our survey, so there can be significant differences between self-described confidence and actual preparedness. (See page 11.)

In **Ireland**, retirement confidence has risen since 2014, our first year surveying that region, but remains lower than the United States and the United Kingdom. Ireland had a slower economic recovery from the financial crisis of 2008 than the rest of Europe. Regulatory uncertainty remains with a government task force currently reviewing options to help improve retirement savings.

In the **United Kingdom**, retirement confidence has more than tripled over the same time period. Confidence in the United Kingdom was particularly low in 2013, perhaps in part because of new regulations governing auto-enrollment that were being introduced at that time. Following improvements in the financial markets and greater familiarity with regulatory changes among workers, confidence has risen in 2015.

To make the confidence of retirement savers sustainable, investors need to ensure that they are saving enough to meet their individual goals. For employers, setting the bar for contribution rates higher through automated programs, such as auto-enrollment and automating contribution increases over time, can help build sustainability into DC plans.

New Survey Features In 2015

In our third annual survey, we are pleased to introduce two new features. First, we now include Australia in most of the survey, with some questions excluded in Australia because of differences in local practices. Second, we now also include investors who save outside of their employer-sponsored plans to gain a broader picture of retirement saving trends and influences.

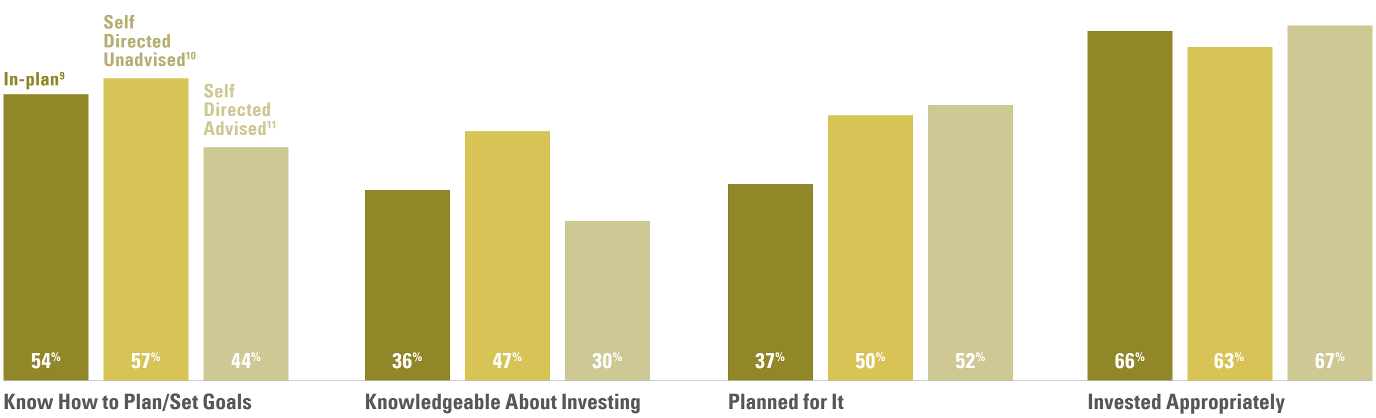
Our data provides a quick snapshot of what participants are thinking now. With just three years of survey data to report, our results are too new to capture any long-term trends. However, we hope these early results will highlight commonalities and emerging issues facing plan sponsors. Our aim is to continue to foster a dialogue among employers, policymakers and service providers about making retirement work.

Building Financial Wellness

TAKING ACTION LEADS TO CONFIDENCE

One of the persistent myths about what drives retirement confidence is that financial literacy is the key. Our survey revealed that both knowledge and action are important. Among U.S. in-plan respondents, taking the action step of having "invested appropriately" was the top reason given for retirement confidence. In Ireland and the U.K., results were similar to the United States, with having "invested appropriately" being the top reason for retirement confidence.[8]

Figure 2: Reasons for Retirement Confidence in 2015
United States



Source: SSGA 2015 Global Retirement Survey.

In a corollary, inaction and a lack of knowledge erode confidence. Among U.S. in-plan respondents who lack confidence in their financial futures, 80% say the top reason is that they haven't saved enough.

In Ireland and the U.K., results were similar to the United States, with "haven't saved enough" being the top reason for lack of retirement confidence.

Figure 3: I Don't Feel Confident about Retirement Because I:
U.S. In-plan Respondents

HAVEN'T SAVED ENOUGH	80%
HAVE OTHER FINANCIAL PRIORITIES	44%
HAVE NOT INVESTED APPROPRIATELY	30%
DON'T UNDERSTAND HOW TO PLAN/SET GOALS	27%

Source: SSGA 2015 Global Retirement Survey.

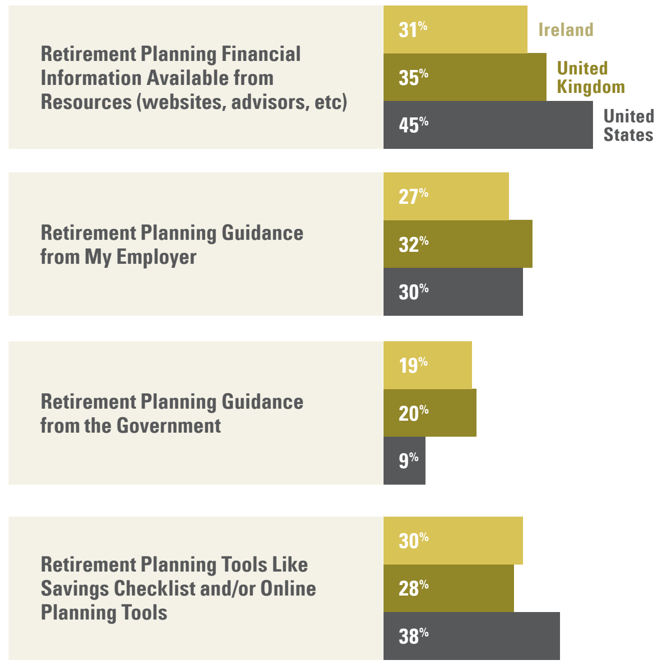
Where Participants Turn for Financial Information

Similar to results from our 2014 survey, retirement savers worldwide tend to look outside of their employers for financial guidance and advice in 2015.[12]

U.S. savers rate independent sources of information as being more useful than information provided by their government or employers. This may be, in part, a natural result of having access to more sources of information than other regions. In the United Kingdom and Ireland, retirement savers rate different sources of information more equally, while still showing a slight preference for information outside of their employers. In the United Kingdom, the introduction of free guidance measures in 2015 to help retiring employees with the new choices available to them will add to the emphasis on external advice.

While retirement savers draw from a variety of sources of information, employers still have an important role to play. Since only a small number of workers have relationships with financial advisors, addressing basic topics in the workplace such as financial wellness and income planning in retirement can help boost employee engagement and plan participation. Engagement may lead to higher retirement confidence. And financial wellness may lead to more satisfied and productive employees.

Figure 4: Usefulness of Information Sources/Available Tools in 2015
In-plan Respondents
"I find these sources very or extremely useful"



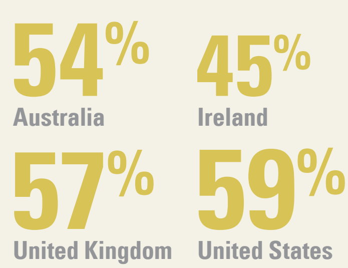
Source: SSGA 2015 Global Retirement Survey.

The Impact of Tailored Guidance

Tailored guidance seems to be one component (perhaps among many) of greater retirement confidence. Recognizing that most employees are not working with an advisor, plan sponsors can look for opportunities to engage workers with worksheets, tools or calculators that provide saving and investing guidance tailored to individual circumstances. These tools can influence confidence when used at 'inflection points' for making financial decisions, such as starting a new job, receiving a pay increase or approaching retirement.

Only a minority of workers have the time and/or interest to establish an advisor relationship, but those who do tend to feel the most optimistic about their financial future. In the regions surveyed, investors who work with a financial advisor and have personal savings outside of an employer-sponsored retirement plan report the highest levels of retirement confidence. This group was also the most affluent among our survey respondents, so higher confidence may be a result of higher income and asset levels. This category, which we call "self-directed, advised," includes IRA investors in the United States, personal pension savers in the United Kingdom, personal retirement account savers in Ireland and self-managed super fund savers in Australia.

Figure 5: Feel Extremely Confident or Very Confident They Will Meet Retirement Goals In 2015
Self-directed Advised Respondents



Source: SSGA 2015 Global Retirement Survey.

Serving Diverse Workforces

GENDER & AGE IMPACT RETIREMENT CONFIDENCE

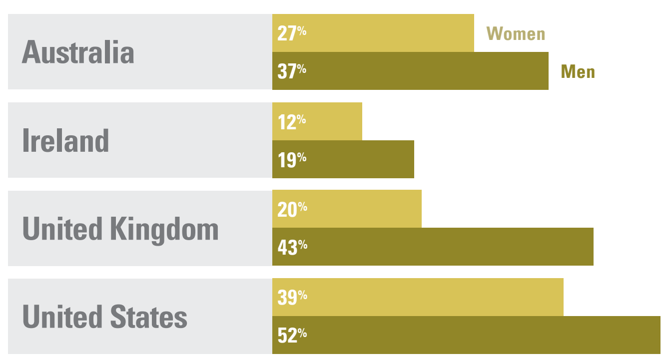
Our study shows men and women often have different perspectives on retirement saving and investing, as do workers in different age groups. For plan sponsors, paying attention to demographic trends within your own firm can help you design benefits plans and engagement programs that meet the needs of a broad range of workers.

The Gender Lens

Across nearly every region and age group, women and men report very different feelings about their personal retirement readiness. This trend holds true for in-plan savers, out-of-plan savers and those working with an advisor. Based on our current survey results, we believe it's possible that some women in our survey are understating their actual retirement readiness, while some men may be overstating their own. So even though women and men report large differences in feelings about retirement confidence and financial knowledge, the reality of their individual financial situations may lie somewhere in the middle.

Naturally, there may be more at play in the survey results than just differences in perception. Structural differences still exist in the finances of women and men. Wage gaps between women and men are slowly closing, but still exist throughout the world. A key takeaway for plan sponsors is the opportunity to help both women and men become more informed investors. When organizing workplace retirement engagement programs, having a diversity of viewpoints among women and men about financial matters can be a net positive for everyone involved.

Figure 6: Feel Extremely Confident or Very Confident They Will Meet Retirement Goals In 2015
In-plan Respondents

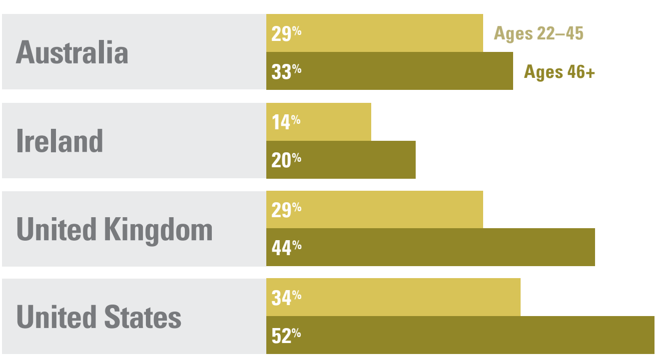


Source: SSGA 2015 Global Retirement Survey.

The Age Lens

Workers ages 22–45 report feeling significantly less confident about retirement than those ages 46 and up. As with the lens of gender, the lens of age may be partially a matter of perception. Workers in the early stages of their career may be benefiting from recent improvements in plan design used by many plan sponsors, such as auto-enrollment and target date funds. They are also in the stage of life where the effects of compound earnings in their retirement accounts may be most powerful over time. Engaging workers ages 22–45 and encouraging them to make the most of their DC plans is a prime opportunity for employers worldwide.

Figure 7: Feel Extremely Confident or Very Confident They Will Meet Retirement Goals In 2015
In-plan Respondents



Source: SSGA 2015 Global Retirement Survey.

Best Practices for Plan Sponsors

We believe another key takeaway of our research results is the importance of designing retirement plans with the needs of several generations of workers in mind. One best practice is choosing or designing default investment options that work for employees of all ages. Within target date funds, for example, a glide path can be slightly altered or even fully customized to meet unique demographics within a firm. An additional best practice is automating key plan design features so that all employees have a chance to enroll in their workplace plan and increase their savings rates over time. And finally, we encourage plan sponsors to review participation and contribution rates by age group at least annually to identify cohorts who may need extra help or attention.

Quick Tips for Plan Sponsors

Automate Higher Contribution Levels
If you don't use auto-enrollment, make implementing it a top priority. In addition, consider setting bolder default contribution rates, closer to 10%, for your plan.

Review Your Company Match
Employer match can play a huge role in encouraging higher savings. For example, rather than matching dollar per dollar up to 6%, consider matching 50 cents on the dollar up to 12%. This signals to employees that the optimum contribution is 12%.

Add or Expand Financial Wellness Programs
Helping employees with financial basics such as budgeting can help boost retirement savings rates. In addition, simply talking about financial topics with their peers can encourage employees to take action.

DC AROUND THE WORLD

Taking a closer look at how DC has evolved worldwide, different countries have developed their own distinct solutions to encourage DC savings. But the goals are often the same. Employers around the globe seek to help workers save more for retirement, grow their savings over time and make their savings last.

Australia has the longest tradition of employing DC plans[13] as a primary savings vehicle and also the highest assets per household of the countries we surveyed. Roughly 85% of the country's retirement assets are held in DC plans , with the remainder in defined benefit plans. The government mandates key elements of plan design, taking many decisions out of employers' hands. Most plan sponsors use multi-employer plans, reducing their involvement in plan design and administration.

In **Ireland** DC plan adoption is growing, but nearly two-thirds of retirement assets remain in DB plans. With nearly 40%[14] of Irish private sector employees enrolled in an occupational or personal pension plan, the Irish government assembled a task force, the Universal Retirement Savings Group, to look for ways to improve pensions coverage and adequacy. The market is also likely to evolve in line with international trends due to the significant presence of large multinational corporations in Ireland.

The **United Kingdom** has been using DC plans as a primary savings vehicle for roughly a decade, but the government is moving aggressively to promote DC savings. Many U.K. employers are now required to auto-enroll employees in DC plans, and more will join the list as the program is broadened through 2017. Only 29% of retirement assets in the U.K. reside in DC plans,[15] but that figure should grow rapidly as the auto-enrollment program expands. DC assets in the country are expected to triple by 2023.[16]

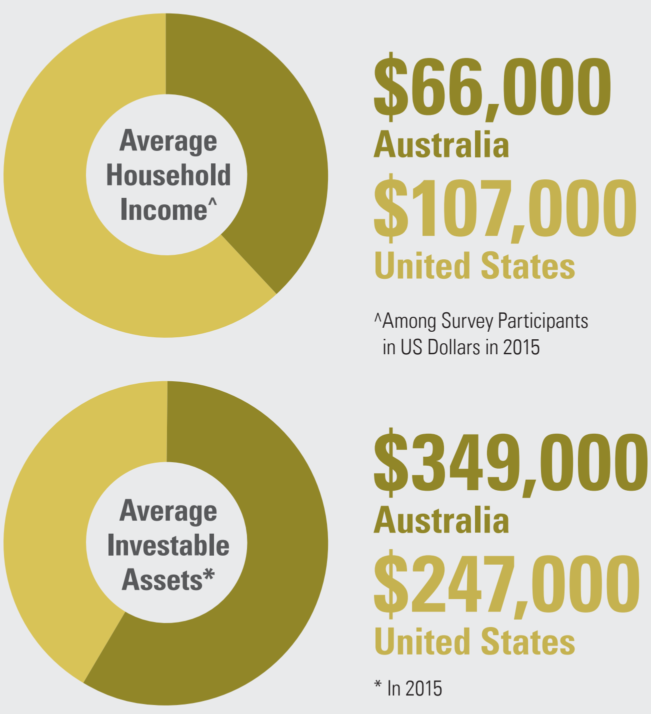
The **United States**, meanwhile, also has a long tradition of DC savings, with overall workplace retirement assets now divided between roughly 58% DC and 42% DB.[17] Large employers are more likely to offer workplace retirement plans than smaller ones. Many small-business workers lack access to workplace plans.

Spotlight on Australia

Contribution rates play a major role in retirement readiness — but aren't enough to drive confidence on their own.

On average, Australian households in our survey earn 38% less than their U.S. counterparts, but have saved 41% more for retirement. Why such a big difference? Contribution rates are much higher in Australia due to the regulated structure of Australia's DC system.

Figure 8: Average Household Income and Investable Assets



Source: SSGA 2015 Global Retirement Survey.

The Australian government mandates employer contributions of 9.5% for all employees, with proposed changes to increase employer contributions to 12% over time.[18] Australian employees are also able to make contributions of their own. The average employee contribution to DC plans is 7.5% in Australia.[19] Older workers typically contribute above the average, which we might expect given greater levels of engagement and proximity to retirement. In contrast, a majority of younger workers do not make employee contributions.

Despite having higher investable assets and considerably higher contribution rates than Americans, Australians in our survey report notably lower confidence than their American counterparts. As noted in our introduction, Australia's economy has been impacted by a drop in global commodities prices, so weaker economic conditions may be influencing the national mood. Finally, nearly all Australian employers use multi-employer plans and many may be less actively engaging their employees in topics such as financial wellness or retirement income planning than U.S. employers.

Meanwhile, in the United States, mandatory employer contributions would clearly be at odds with America's business culture. Even in Australia, mandatory employer contributions were initially unpopular among employers, although now they have become an accepted and familiar part of the standard benefits landscape there. Nevertheless, the Australian model points to the effectiveness of high contribution rates in helping workers grow their retirement savings.

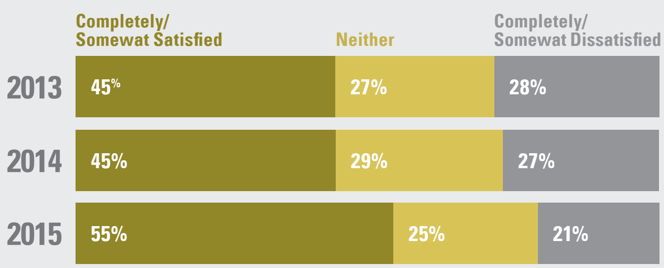
Spotlight on the United Kingdom

Compelling evidence shows that auto-enrollment can work well on a large scale.

The United Kingdom began mandating auto-enrollment for the largest employers in 2012 and is continuing to phase in more employers. The evolution of the U.K. DC retirement system shows signs of early success, with only 10% of participants opting out of plan participation.

As auto-enrollment continues to be implemented more broadly, we notice a general increase in overall satisfaction with plans in the U.K., and a decrease in dissatisfaction. It's too soon to call the increase in satisfaction a long-term trend, but results over the past few years are encouraging. Some of the increase in satisfaction may be simply attributable to improvements in stock prices and the overall economy, but it's notable that the U.K. embarked on a major nationwide initiative to increase savings through auto-enrollment and overall satisfaction among DC participants in the region has only gone up.

Figure 9: Satisfaction with Plan
In-plan Respondents



Source: SSGA 2015 Global Retirement Survey.

We believe it's unlikely that the United States would implement mandatory auto-enrollment nationwide, as the U.S. temperament tends to favor minimal government regulation. However, U.S. employers can look to the success of the U.K. experience and recognize that auto-enrollment can be highly effective for nearly all types and demographics of employees and choose to implement it voluntarily.

Spotlight on Ireland

Confidence in retirement readiness appears to be growing, but more needs to be done.

Results from our latest survey indicate that Irish respondents are more confident about reaching their retirement goals than they were a year ago. However, this could be attributed to a general improvement in the economic landscape, rather than active planning. It is also worth noting that while retirement confidence is up in the U.K. last year, it still lags other regions by considerable margins. In this light it is fitting that the Irish government, through its Universal Retirement Savings Group, continues to consider the question of auto-enrollment and other means to improve pension coverage and adequacy. Notwithstanding the government's initiatives, employers may wish to leverage off the recent increase in confidence to assist their employees in preparing for retirement.

A Global Approach to DC for Global Employers

Employers worldwide share a common need — to help workers save more, grow their savings and make their savings last. All countries in our survey are making progress toward improving retirement readiness and all countries have something to offer plan sponsors globally. At State Street Global Advisors, our experience working with employers worldwide empowers us to bring a global perspective to improving outcomes for DC participants.

Making Retirement Work

At SSGA, we are committed to helping plan sponsors and participants make retirement work. For more information about these survey results or about best practices for managing your defined contribution plan, we invite you to email us at **definedcontribution@ssga.com.**

Appendix

Survey Respondents at a Glance

In-plan (IP) retirement savers include:

- U.S. participants in an employer-sponsored 401(k), 403(b) or 457 plan
- U.K./Irish members in an employer-sponsored DC and/or DB plan
- Australian members of a single- or multi-employer superannuation fund

Self-directed unadvised (SDU) retirement savers include:

- U.S. investors in an IRA or individual 401(k), investments NOT guided by a financial advisor
- U.K./Irish investors in a personal pension not arranged by an employer, investments NOT guided by a financial advisor
- Australian investors in a self-managed super fund, investments NOT guided by a financial advisor

Self-directed advised (SDA) retirement savers include:

- U.S. investors in an IRA or individual 401(k), investments guided by a financial advisor
- U.K./Irish investors in a personal pension not arranged by an employer, investments guided by a financial advisor
- Australian investors in a self-managed super fund, investments guided by a financial advisor

Glossary

This report is prepared with employers and retirement plan sponsors worldwide in mind. We also make this report available to the media and the general public to help create a dialogue about enhancing retirement readiness globally. For convenience, we've included this glossary for the general reader.

Default Investment Option

An investment option in an employer-sponsored retirement plan designed for those participants or members who haven't chosen their own investment options.

Defined Benefit Plan

An employer-sponsored retirement plan where employee benefits are derived from a specified formula using factors such as, but not limited to, salary history and duration of employment. Investment risk and portfolio management are entirely under the control of the company.

Defined Contribution Plan

An employer-sponsored retirement plan whereby employees and employers make contributions to accumulate wealth during their working years to provide income in retirement. Often times, an employer will match an employee's contribution, up to a certain amount.

Glide Path

The change of asset allocation (the mix of stocks and bonds) within a Target Retirement Fund as a participant approaches retirement.

Target Date Fund

A pre-mixed, diversified selection of investments (typically stocks and bonds) that adjusts its risk levels automatically as a participant nears retirement.

[1] Transatlantic DC Investor Survey 2014. Data was collected in February and March 2014 in a five-minute Internet survey using a panel of verified participants in employer sponsored DC savings plans, ages 22 to 65. Included were 1,012 participants in the United States, 1,000 in the United Kingdom and 150 in Ireland.

[2] Data from the 2013 SSGA Transatlantic Survey was collected through a 5-minute internet survey fielded in April 2013 in partnership with TRC. The sample included 1,000 interviews in the U.S. and 1,004 interviews in the U.K. (including England, Scotland, U.K. Ireland and Wales) aged 22 to 65, working at least part-time, and participating in their employer-sponsored retirement savings plan/scheme. The maximum sampling error for each region is +/- 3.1% at 95% confidence level.

[3] Ibid.

[4] U.S. participants in an employer-sponsored 401(k), 403(b) or 457 plan. U.K./Irish members in an employer-sponsored DC and/or DB plan. Australian members of a single- or multi-employer superannuation fund

[5] 2013 SSGA Transatlantic Survey, full methodology listed above.

[6] 2014 SSGA Transatlantic Survey, full methodology listed above.

[7] Oster, Alan. (2015). Commodity Price Declines and their Economic Impact. International Banker. Retrieved from http://internationalbanker.com/banking/commodity-price-declines-and-their-economic-impact/

[8] This question was asked differently among our Australian respondents because they have a different funding mechanism for DC contributions.

[9] U.S. participants in an employer-sponsored 401(k), 403(b) or 457 plan. U.K./Irish members in an employer-sponsored DC and/or DB plan. Australian members of a single- or multi-employer superannuation fund.

[10] U.S. investors in an IRA or individual 401(k), investments NOT guided by a financial advisor.

[11] U.S. investors in an IRA or individual 401(k), investments guided by a financial advisor.

[12] This question was asked differently among our Australian respondents because they have a different funding mechanism for DC contributions.

[13] Towers Watson, Global Pension Assets Study 2015.

[14] OECD Reviews of Pension System – Ireland, 2014.

[15] Towers Watson, Global Pension Assets Study 2015.

[16] Spence Johnson, DC Market Intelligence, 2013.

[17] Towers Watson, Global Pension Assets Study 2015.

[18] Australian Government Taxation Office.

[19] Rice Warner Superannuation Market Projections Report 2014.

About Us

State Street Global Advisors (SSGA) is a global leader in asset management, entrusted with more than $2.37 trillion* in assets. As one of the premier managers for U.S. defined contribution plans, SSGA has more than 30 years of experience in the DC market with more than $363.16 billion in global DC assets. DC clients rely on SSGA to provide a powerful, global investment platform that offers access to every major asset class, capitalization range and style, including low-cost index funds, a suite of QDIA-eligible target date and balanced funds, and distinct DC share classes. Beyond investment solutions, SSGA provides a dedicated DC client engagement team that assists you with the onboarding process and participant communications to deliver client-focused solutions.

State Street Global Advisors is the investment management arm of State Street Corporation.

* Assets under management were $2.37 trillion as of June 30, 2015. This AUM total reflects approximately $26.8 (as of 6/30/15) with respect to which State Street Global Markets, LLC (SSGM) serves as marketing agent; SSGM and State Street Global Advisors are affiliated.

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