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## **AMERICA'S YOUNGEST WORKERS STRONGLY SUPPORT RADICAL REDESIGN OF NATION'S RETIREMENT PLANS**

*Pension Protection Act Viewed as a Great Start*

*New Survey Finds Boomers "Wish We'd had" Different Options 30 Years Ago!*

**NEWARK, N.J.** – America's youngest workers are eager to embrace a new approach to the design of the nation's retirement programs, believing "automatic" plan features like the auto-enrollment provision in the recently enacted Pension Protection Act (PPA) would produce better financial results and lead to more-secure retirements, according to a new survey by Prudential Retirement, a business of Prudential Financial (NYSE: PRU).

The "Fifth Annual Workplace Report on Retirement Planning" found that 66 percent of young workers (those between 21 and 30, also known as the "Millennial Generation") would feel "grateful" or "optimistic" if employers automatically enrolled them in workplace-provided defined-contribution (DC) plans, representing an outcome of more than two-to-one in favor of an "auto-enrollment" approach.

Moreover, the survey revealed that young workers would be equally enthusiastic about an automatic approach to other key components of DC plan management, including mandated minimum-contribution rates, a program of gradually but automatically increasing contribution levels, and defaults into investment options that employ asset-allocation modeling based on age and risk-tolerance. In the most common types of DC plans, all decisions about participation, savings rates, and investment choices are currently the responsibility of individual plan participants.

"Today's youngest workers are keenly aware that the existing 'do-it-yourself' approach to managing workplace-provided defined contribution programs isn't delivering the retirement security Americans want and need," said John Y. Kim, president of Prudential Retirement.

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“We are at a critical time in our nation’s approach to paying for retirement. Traditional defined benefit (DB) pension plans are evaporating, Social Security is becoming increasingly problematic, and DC plan balances remain shockingly low,” Kim said. “In this environment, our survey demonstrates that the nation’s youngest workers would welcome a ‘radical’ new approach, one that effectively replaces individual accountability with professional management,” he added.

“The auto enrollment provision in the Pension Protection Act signed this summer by President Bush is a great start. But, according to our findings, it’s really just a first step toward reinventing today’s DC plans in a way that can deliver worry-free, abundant, and secure retirements,” Kim added.

### **Millennials Embrace All “Auto Pilot” Features**

When asked, for example, how they would feel if their employer went beyond automatic enrollment and mandated a minimum standard for initial contribution rates, 54 percent of young workers said they would feel “grateful” or “optimistic” for the help. In addition, more than half of the young workers surveyed had a similar reaction to an automatic plan feature that would gradually increase contribution levels. And a clear majority said “go for it” or “give it a shot” when asked about an automatic asset allocation program that would place them in default investment options based on their risk tolerance and years to retirement.

Perhaps most surprising, America’s youngest workers also favor – by a margin of two to one – an automatic feature that would convert their defined contribution plan assets into a guaranteed monthly income stream at retirement. In effect, they are rejecting today’s most popular choices when people leave a plan or retire – a lump sum distribution or a gradual spend down?? of accumulated assets.

Reacting to the entire spectrum of features, 57 percent of young workers said “no doubt about it” or “feeling good” when asked about “automatic” defined contribution plans. And 53 percent said putting their workplace-provided program on “auto pilot” would deliver “far superior” or “somewhat superior” retirement outcomes when compared with the current do-it-yourself approach.

### **“Boomers” Wish They Had It; Enthusiastically Recommend It**

The Prudential survey also found that support for a radical new approach to defined contribution plan design isn’t limited to the Millennial Generation.

Responding to a similar set of questions, the oldest component of America's workforce – Baby Boomers over the age of 55 and pre-retirees under the age of 64– not only endorsed the “autopilot” idea, they enthusiastically recommended the approach to younger workers. By an overwhelming margin, they also agreed that they would be better prepared for retirement today if automatic plan features had been in place 30 years ago.

When asked -- based on their experience and what they know today -- how they would have felt if the organizations they had worked for had put their defined contribution plans on “auto pilot:”

- 75 percent of older workers said they would have been “grateful” or “optimistic” if they had been automatically enrolled in their plans;
- The same percent would have felt “grateful” or “optimistic” about a mandated initial contribution rate;
- 68 percent would have been “grateful” or “optimistic” about an automatic contribution escalation program;
- 70 percent would have eagerly embraced automatic asset allocation, saying “go for it” or “give it a shot;” and
- 70 percent would have welcomed an automatic feature that converted their defined contribution plan assets into a guaranteed, lifelong retirement income stream.

In addition, approximately 70 percent of older workers favored the full menu of automatic plan features over “doing it yourself,” responding “go for it” or “feeling very good” when asked to estimate the long-term effect of an “auto-pilot” approach on retirement security. Not surprisingly, older workers also strongly endorsed the automatic defined contribution plan concept for younger workers.

- 80 percent “strongly” or “somewhat strongly” recommend automatic enrollment;
- The same percent “strongly” or “somewhat strongly” recommend a mandated minimum contribution level;
- 75 percent “strongly” or “somewhat strongly” recommend automatic contribution escalation programs;
- 72 percent “strongly” or “somewhat strongly” recommend automatic conversion of defined contribution plan assets into a guaranteed retirement “paycheck;” and
- 76 percent recommend the entire “auto pilot” package for younger workers.

“Speaking from personal experience – from the perspective of managing their own defined contribution plans for 30 years – the oldest cohort of our workforce wholeheartedly agrees that a radical redesign of defined contribution plans would benefit American workers and lead to better, more-secure retirement outcomes,” said Kim.

“Generations often disagree on a variety of issues, and research has shown that these two generations have distinctly different ways of viewing the world. But when it comes to retirement security, the agreement we see is startling. Both generations believe a do-it-yourself approach to retirement planning leaves much to be desired. And both believe that incorporating automatic features into the design of defined contribution programs is a better way to go,” he added.

Prudential Retirement delivers retirement plan solutions for public, private, and non-profit organizations. Services include state-of-the-art record keeping, administrative services, investment management, comprehensive employee investment education and communications, and trustee services. With over 80 years of retirement experience, Prudential Retirement meets the needs of two million defined contribution participants and more than one million defined benefit participants and annuitants. Prudential Retirement has \$142.8 billion in retirement account values as of September 30, 2006.

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