EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

90TH PUBLIC POLICY FORUM
DECEMBER 6, 7, AND 9, 2021

EBRI'S MISSION

EBRI produces and communicates independent, objective, nonpartisan data, research, and other information about employee benefits. The organization serves the public, employers, service providers, workers and their families, and policymakers.

MEMBER WORDS THAT DESCRIBE EBRI

Thorough
Integrated
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Objective
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Factfulness
Detailed
Credible
3rd Party
Connections
Insightful
Unbiased
Forums
Integrity
Credible
Independence
Experts
Objective Data, Not Marketing
Deep Resource
Thought Leadership
Subject Matter Experts
Influential
Comprehensive
Insights
Helpfulness
Curiosity

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EBRI'S 90TH POLICY FORUM

Monday, December 6 —

Keynote: Department of Labor Update With Kathleen Kennedy Townsend

A Path to a More Equitable Solution: Solving the Retirement Coverage Gap

Tuesday, December 7 —

Spending in Retirement: The Full Picture

Thursday, December 9 —

Health Care Reform Redux: How Might Legislative and Regulatory Action Drive Change?

THANK YOU, POLICY FORUM DEVELOPMENT TASK FORCE!

Vice Chair, PPAC: Liz Varley, Ameriprise Financial

Task Force:

Nevin Adams, American Retirement Association

Reagan Anderson, Capital Group

Rhonda Berg, Mercer

Nicky Brown, HealthEquity, Inc.

Chris Byrd, WEX Health

Rob Capone, Legal & General Investment Management America

Kathryn Carleson, HealthEquity, Inc.

Drew Carrington, Franklin Templeton

Kelsey Chin, Millennium Trust Company

Josh Cohen, PGIM

David Cruz, New York Life

Liz Davidson, Financial Finesse, Inc.

Mark Dennis, Financial Finesse, Inc.

Jody Dietel, HealthEquity, Inc.

Bob Doyle, Prudential Retirement

Jennifer Flodin, Mercer

Josh Freely, TIAA

Kris Haltmeyer, Blue Cross Blue Shield Association

Katie Hockenmaier, Mercer

Bob Holcomb, Empower Retirement

Sarah Holden, Investment Company Institute

Kirsten Hunter, Fidelity Investments

Tom Johnson, Retirement Clearinghouse

Melissa Kahn, State Street Corporation

Marla Kreindler, Morgan, Lewis & Bockius LLP

Mike Lanza, Ameriprise Financial

Lisa Margeson, Bank of America

Martin McGuiness, Unum

Ed Murphy, Empower Retirement

Meenu Natarajan, Mercer

Chantel Sheaks, U.S. Chamber of Commerce

Mike Skinner, T. Rowe Price

Kevin Smart, Custodia

Michael Sowa, Benetic

Jana Steele, Callan Associates, Inc.

**Christopher T. Stephen,** National Rural Electric Cooperative Association

Aron Szapiro, Morningstar

**Renee Wilder Guerin,** Retirement Clearinghouse LLC
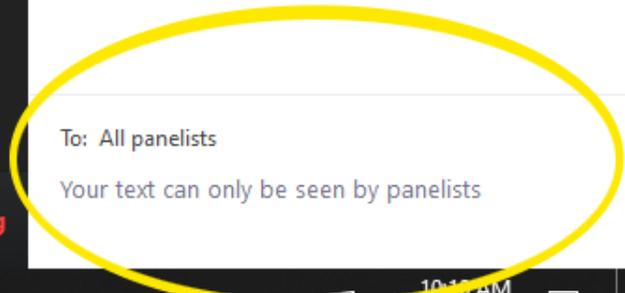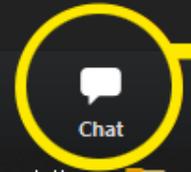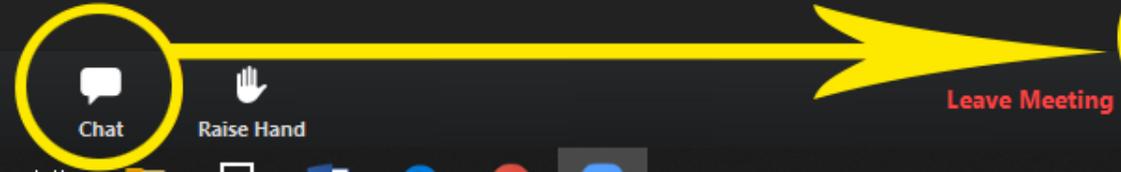
KEYNOTE: DEPARTMENT OF LABOR UPDATE WITH KATHLEEN KENNEDY TOWNSEND

Kathleen Kennedy Townsend, Special Assistant to the Secretary of Labor for Retirement Policy

Moderated by: Melissa Kahn, Managing Director, State Street Global Advisors

Q&A

POLLING QUESTION
PLEASE SHARE YOUR THOUGHTS

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A PATH TO A MORE EQUITABLE SOLUTION: SOLVING THE RETIREMENT COVERAGE GAP

Jack VanDerhei, Research Director, EBRI

Zachary Keep, Manager, Compliance Risk, Paychex

John Scott, Project Director, Retirement Savings, The Pew Charitable Trusts

Moderated by: Melissa Kahn, Managing Director, State Street Global Advisors

A PATH TO A MORE EQUITABLE SOLUTION: SOLVING THE RETIREMENT COVERAGE GAP

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A Path to a More Equitable Solution: Solving the Retirement Coverage Gap

Zachary Keep
Manager, Compliance Risk, Paychex
EBRI Policy Forum
December 6, 2021

Pooled Employer Plan Overview

- A 'MEP-like' plan

- No requirement for commonality amongst plans

- Facilitate access to plans for SMB's

- Reduce Fiduciary risk

- Facilitate access to high-quality investments

Paychex serves as Pooled Plan Provider (PPP)

No proprietary investments	Launched in early **2021**
8000+ plans to date	**$70 million** in assets

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PEPs- A significant facilitator 401(k) access

41%
of participating employers had considered offering a 401(k) in the past

77%
of participating employers offered a PEP to retain talent

44%
of participating employers "might not" have offered a plan in the absence of a PEP

16%
of participating employers "would not" have offered a plan in the absence of a PEP

Key Criteria in Evaluating a Plan

61%
Easy to Start

60%
Administrative Burden

46%
Price

34%
Fiduciary Responsibility

Looking to the future

- What will final guidance contain?

- Shared Service Rules?

- The criticality of tax credits

A Path to a More Equitable Solution: Solving the Retirement Coverage Gap

Jack VanDerhei, Ph.D.
EBRI Research Director
EBRI Policy Forum
December 6, 2021

Summary of Findings

- The combination of Automatic Contribution Plan/Arrangement (ACPA) and enhanced savers credits are projected to have a huge impact on reducing retirement deficits when analyzed for households simulated to have a retirement deficit

  – For those currently ages 35-39 the reductions in retirement deficits vary from 17 to 26 percent, depending on race

  – This combination has an even larger impact on households who are not simulated to have a retirement deficit

- The results are relatively robust to changes in assumptions for withdrawal rates and opt out rates

  – However extremely large annual withdrawal rates for either ACPA or enhanced savers credits can significantly reduce the beneficial impact of these proposals

EBRI's Retirement Security Projection Model (RSPM)

- Accumulation phase
    - Simulates retirement income/wealth to retirement age for all US households ages 35-64 from defined contribution, defined benefit, IRA, Social Security, housing equity
        - 401(k) participant behavior based on individual administrative records
            - Annual linked records dating back to 1996 (27 million participants from 110,000 plans)
        - Social Security based on current statutory benefits for baseline
- Retirement/decumulation phase
    - Simulates 1,000 alternative life-paths for each household, starting at 65
    - Deterministic modeling of costs for food, apparel and services, transportation, entertainment, reading and education, housing, and basic health expenditures.
    - Stochastic modeling of longevity risk, investment risk, long-term care (LTC) costs

- Output (Aggregated across all households in a cohort and expressed in 2019 dollars)
    - Retirement Readiness Rating (RRR): Probability that a household will NOT run short of money in retirement
    - Retirement Savings Shortfall (RSS-)
        - For those households simulated to experience a shortfall
        - Present value of simulated retirement deficits at retirement age
        - Current aggregate of $3.83 trillion
    - Retirement Savings Surpluses (RSS+)
        - For those households simulated to experience a surplus
        - Present value of surpluses in retirement valued at age 65 in 2019 dollars
    - Retirement Savings Net Outcomes (RSNO)
        - For all households combined
        - RSS+ minus RSS-

For a list of approximately 50 studies using RSPM please see: bit.ly/ebri-rspm-new

Description of proposal and assumptions

- Automatic Contribution Plan/Arrangement (ACPA)
  - Employers with more than 5 employees would generally be required to maintain an automatic contribution plan/arrangement
  - Sponsors with certain previous plans would be grandfathered
  - Baseline assumptions
    - Auto-IRA for new sponsors.
    - 6% default with escalation to 10%.
    - 30% opt-out for new eligibles
  - Results depend significantly on assumptions for opt-out and withdrawal behavior as well as type of plan chosen
- Savers Credit
  - Replace the current saver's credit with a simple, 50% government match on contributions of up to $1000 per year made to 401(k)-type plans and IRAs by individuals with income up to $25,000, couples with income up to $50,000 and head of household up to $37,500
    - The amount of the match would phase out over the next $10,000 of income for individuals and $20,000 for couples/head of household
  - Refundable
  - Baseline assumption = everyone eligible will take the full amount

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Baseline Retirement Savings Shortfalls (RSS-) by age and race

Retirement Savings Shortfall
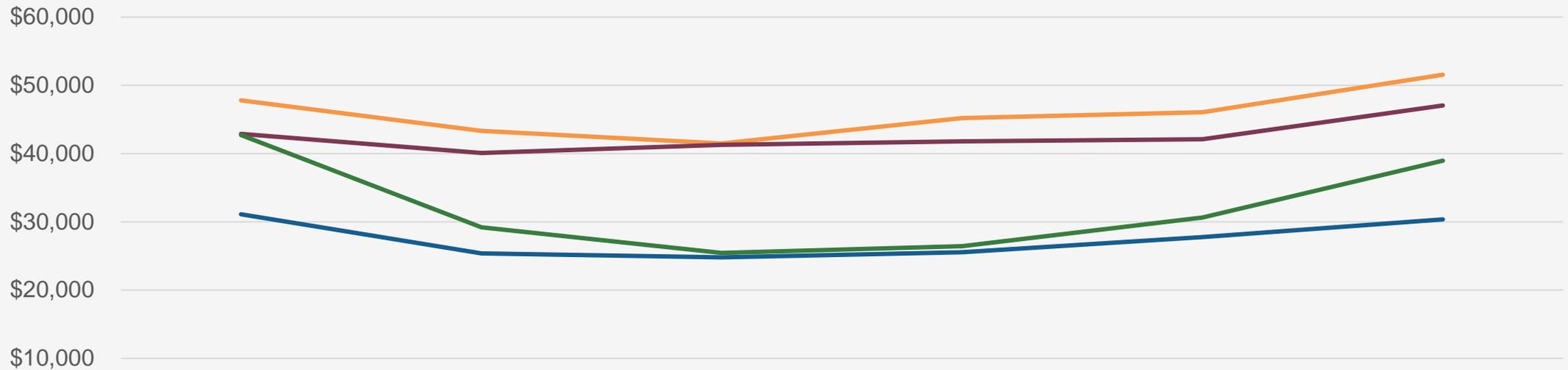
	35-39	40-44	45-49	50-54	55-59	60-64
White	$31,084	$25,382	$24,772	$25,553	$27,756	$30,340
Black	$47,781	$43,330	$41,486	$45,206	$46,037	$51,550
Hispanic	$42,860	$40,085	$41,276	$41,788	$42,080	$47,047
Other	$42,704	$29,176	$25,422	$26,439	$30,613	$38,934

Source: Employee Benefit Research Institute Retirement Security Projection Model® Version 3670race

Reduction in Retirement Savings **Shortfalls** (RSS-) by age and race after modifications for Saver's Credit and ACPA

	35-39	40-44	45-49	50-54	55-59	60-64
White	25.6%	22.7%	19.5%	14.1%	9.4%	5.6%
Black	19.1%	18.5%	14.8%	9.9%	7.1%	4.5%
Hispanic	22.1%	20.6%	15.2%	12.5%	8.5%	4.7%
Other	16.7%	21.5%	20.2%	13.8%	8.3%	4.7%

Source: Author's simulations
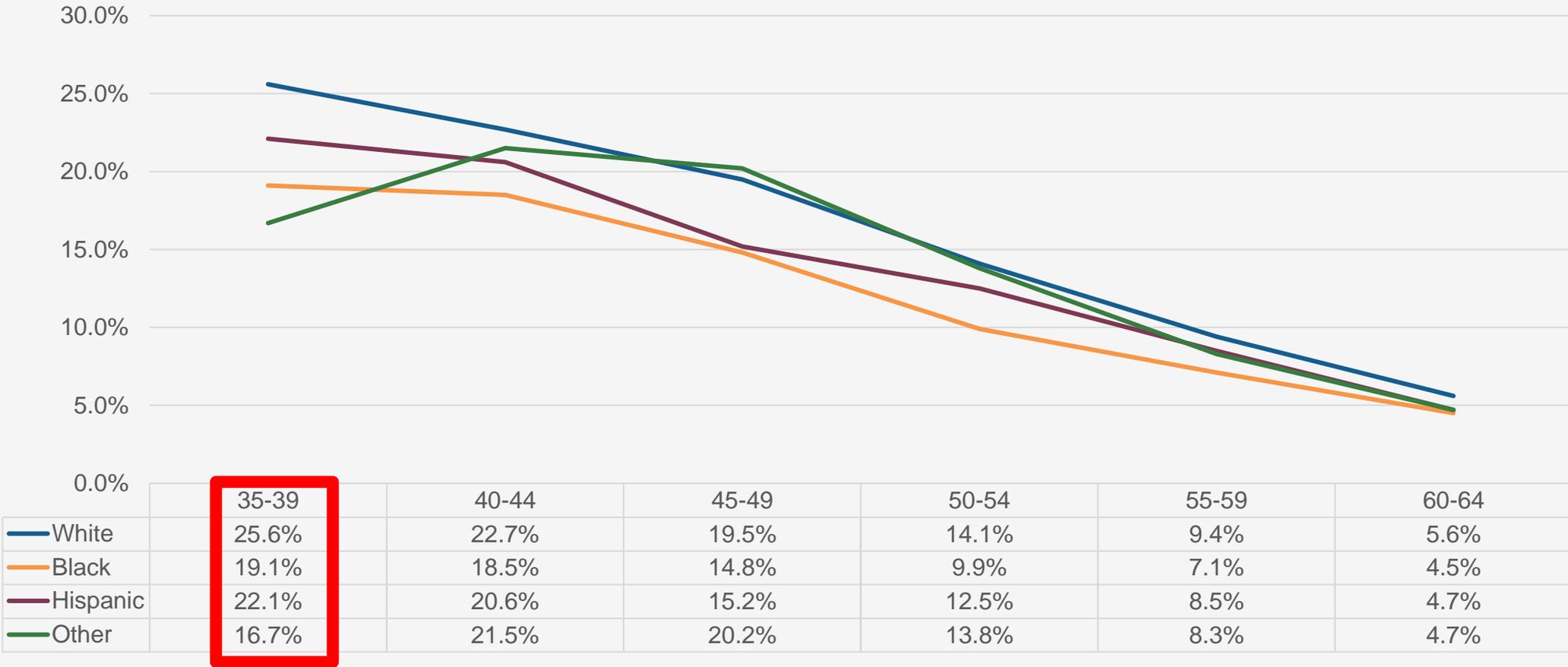
Increase in Retirement Savings Surpluses (RSS+) by age and race after modifications for Saver's Credit and ACPA
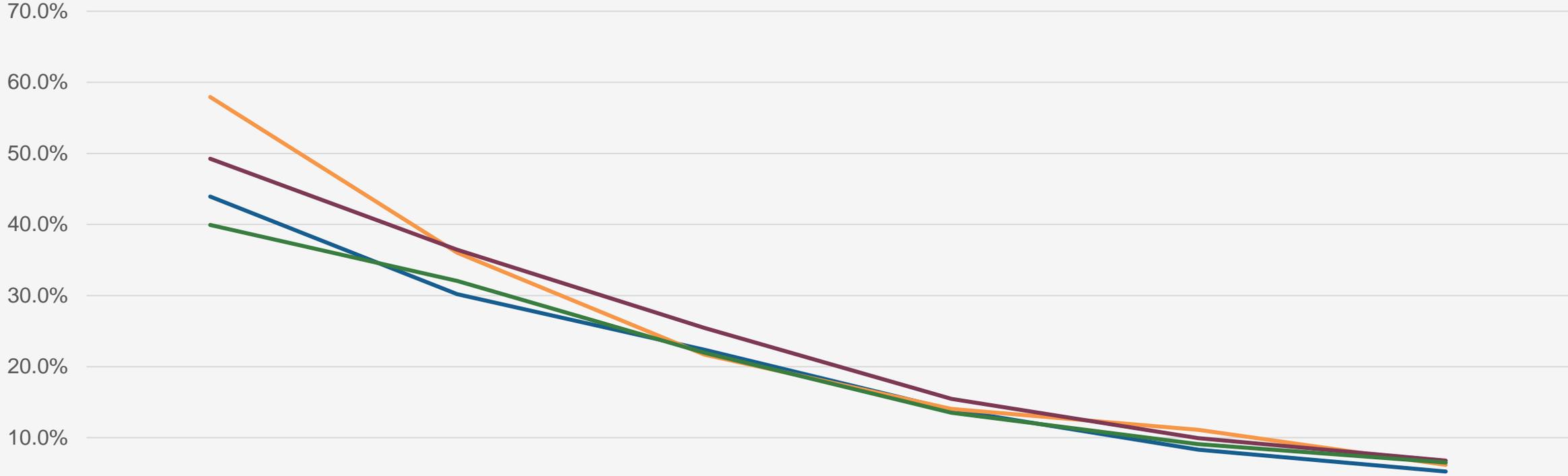
	35-39	40-44	45-49	50-54	55-59	60-64
White	43.9%	30.2%	22.4%	13.9%	8.3%	5.3%
Black	57.9%	36.0%	21.7%	14.0%	11.1%	6.2%
Hispanic	49.3%	36.5%	25.4%	15.5%	9.9%	6.8%
Other	39.9%	32.1%	21.9%	13.5%	9.1%	6.5%

Source: Author's simulations

Increase in Retirement Savings Net Outcomes (RSNO) by age and race after modifications for Saver's Credit and ACPA

	35-39	40-44	45-49	50-54	55-59	60-64
White	48.7%	32.3%	23.8%	14.7%	8.9%	5.7%
Black	74.6%	43.0%	25.3%	16.4%	13.1%	7.7%
Hispanic	61.2%	43.6%	30.0%	18.4%	11.7%	8.1%
Other	45.4%	34.3%	23.2%	14.3%	9.7%	7.1%

Source: Author's simulations
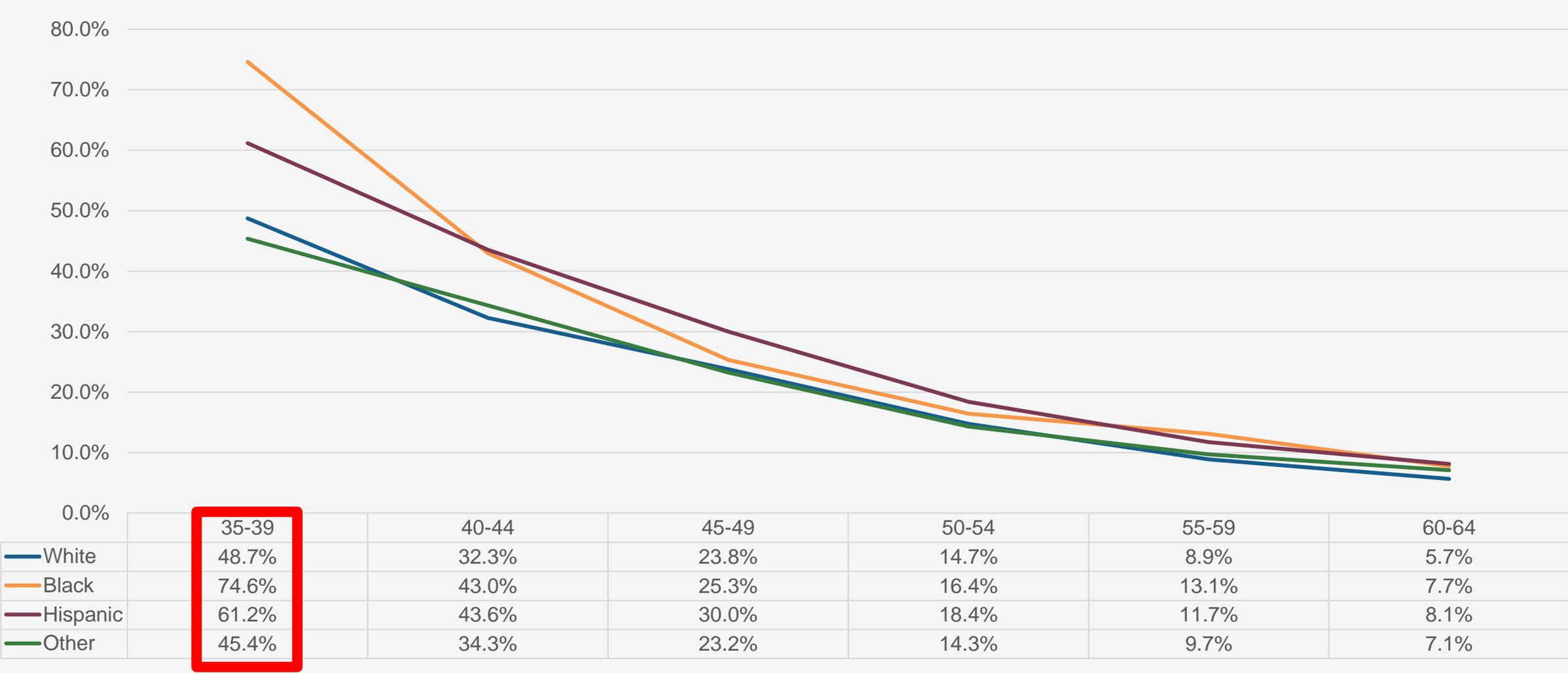
SENSITIVITY ANALYSIS

Reduction in Retirement Savings Shortfalls (RSS-) for those 35-39 by race: sensitivity analysis on ACPA optout rates*
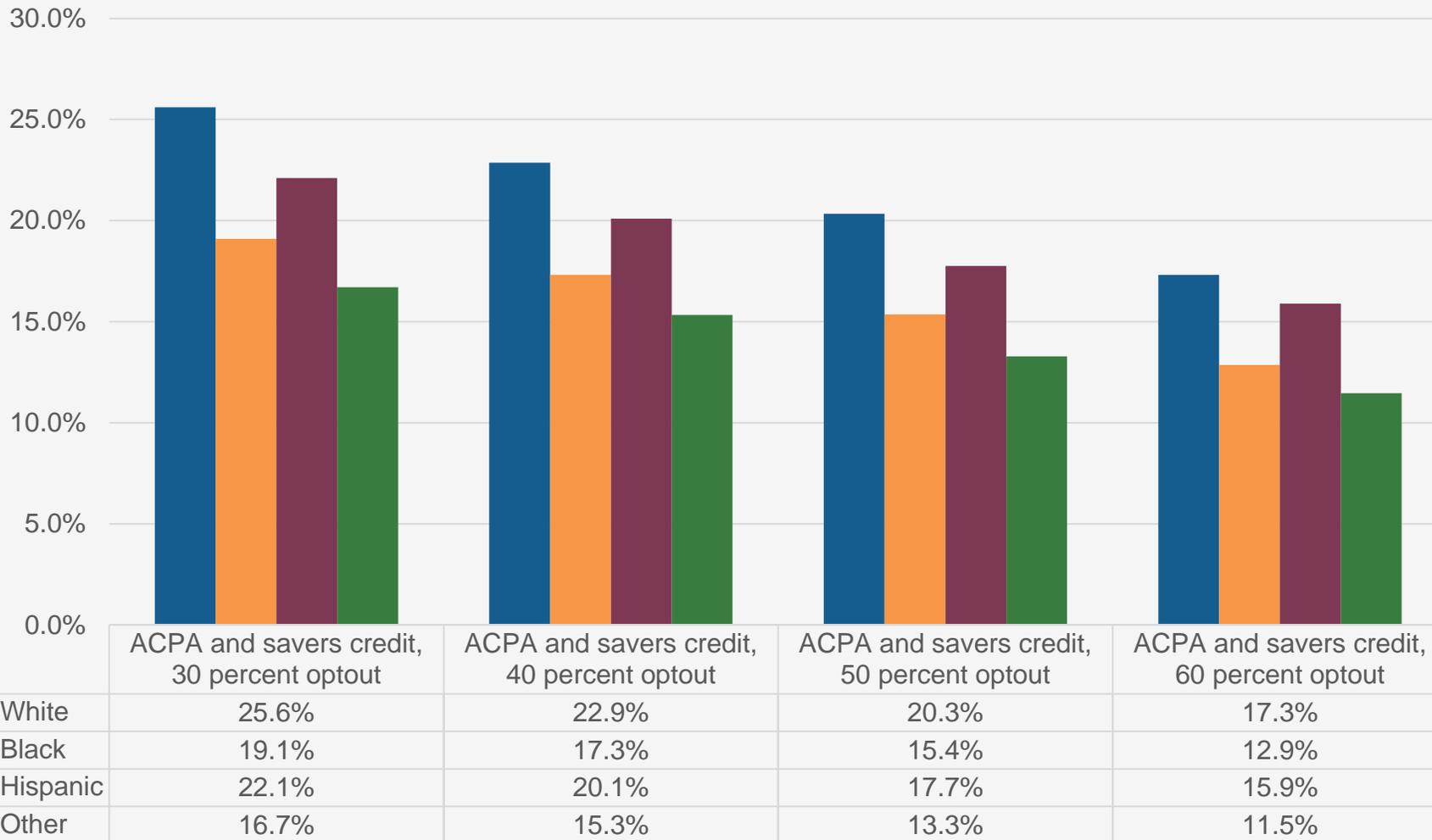
*Industry-specific formal opt-out rates from OregonSaves data ranged from 32.2 to 57.4 percent for industries with data on at least 500 employees. (John Chalmers, Olivia S. Mitchell, Jonathan Reuter, and Mingli Zhong, "Auto-Enrollment Retirement Plans for the People: Choices and Outcomes in OregonSaves," NBER Working Paper No. 28469, February 2021)

	ACPA and savers credit, 30 percent optout	ACPA and savers credit, 40 percent optout	ACPA and savers credit, 50 percent optout	ACPA and savers credit, 60 percent optout
■ White	25.6%	22.9%	20.3%	17.3%
■ Black	19.1%	17.3%	15.4%	12.9%
■ Hispanic	22.1%	20.1%	17.7%	15.9%
■ Other	16.7%	15.3%	13.3%	11.5%

Source: Author's simulations

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Reduction in Retirement Savings **Shortfalls (RSS-)** for those 35-39 by race: **sensitivity analysis on withdrawal rates**

	ACPA and savers credit	ACPA and savers credit, 1 percent annual withdrawal on ACPA	ACPA and savers credit, 10 percent annual withdrawal on ACPA	ACPA and savers credit, 1 percent annual withdrawal on savers credit	ACPA and savers credit, 10 percent annual withdrawal on savers credit	ACPA and savers credit, 1 percent annual withdrawal for both	ACPA and savers credit, 10 percent annual withdrawal for both
White	25.6%	23.4%	9.1%	23.9%	18.4%	23.4%	1.2%
Black	19.1%	17.2%	7.3%	17.3%	11.7%	17.2%	0.0%
Hispanic	22.1%	20.0%	8.2%	20.5%	15.2%	20.0%	0.0%
Other	16.7%	15.2%	6.4%	15.2%	10.2%	15.2%	0.2%

Source: Author's simulations

Next steps

- Additional breakouts by
  - Wage
  - Gender
  - Family status
  - Future years of eligibility in a defined contribution plan

Q&A

TOMORROW'S EVENT

Register at ebri.org

EBRI WINTER POLICY FORUM WEBINAR
DECEMBER 7, 2021
2:00–3:00 P.M.

Spending in Retirement: The Full Picture

Featuring:

Tamiko Toland, Director, Retirement Markets, Cannex
Steve Vernon, President, Rest-of-Life Communications
Ali Ahmed, Director, Thought Leadership, Fidelity
Lori Lucas, President and CEO, EBRI, Moderator

UPCOMING EBRI PROGRAMS

Webinar: Generational Differences in Wealth – January 19. 2022

Webinar: Workplace Wellness Survey Core Findings – February 2, 2022

Webinar: Workplace Wellness Survey Race & Ethnicity Findings – February 23, 2022

Webinar: Members Only Research Round Up – March 9, 2022

Webinar: Retirement Income Security of Public Employees – March 16, 2022

Webinar: Health Savings Account Data Update – March 30, 2022

Webinar: EBRI/ICI 401(k) Contribution Analysis – April 20, 2022

Washington, DC: May Policy Forum – May 13, 2021

Please visit ebri.org for more information.

Support EBRI by joining today: Contact Betsy Jaffe, jaffe@ebri.org