Work and Save
Rethinking the Access Profile

Share of Households with DB, DC, or IRA Increases with Age, as Do Retirement Assets

Households by age of household head, 2013

- Retirement assets (DC + IRA) only
- Both DB benefits and retirement assets
- DB benefits only

<table>
<thead>
<tr>
<th>Age of head of household</th>
<th>Median retirement assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger than 25</td>
<td>$2,300</td>
</tr>
<tr>
<td>25 to 34</td>
<td>$13,500</td>
</tr>
<tr>
<td>35 to 44</td>
<td>$42,700</td>
</tr>
<tr>
<td>45 to 54</td>
<td>$87,000</td>
</tr>
<tr>
<td>55 to 64</td>
<td>$104,000</td>
</tr>
<tr>
<td>65 to 74</td>
<td>$149,000</td>
</tr>
<tr>
<td>75 or older</td>
<td>$69,000</td>
</tr>
</tbody>
</table>

Note: Retirement assets include DC plan assets and IRAs. DB benefits include households currently receiving DB benefits and households with the promise of future DB benefits. Components may not add to the total because of rounding.

Source: ICI tabulations of the Survey of Consumer Finances
55 Million Americans Lack Access

Only 55 Percent of Private Sector Workers Have Access to a Retirement Plan at Work

Private sector wage and salary workers age 25-64 whose employers sponsor a retirement plan, 1979-2013

Source: NIRS “The Continuing Retirement Savings Crisis”
How Does Your State Rank?

Percentage of Private Sector Workers WITHOUT Access to Workplace Savings Plan by State (AL - MT)

- Alabama: 50.4%
- Alaska: 49.3%
- Arizona: 46.8%
- Arkansas: 45.2%
- California: 53.8%
- Colorado: 47.5%
- Connecticut: 46.8%
- Delaware: 45.7%
- District of Columbia: 47.7%
- Florida: 47.9%
- Georgia: 47.7%
- Hawaii: 50.2%
- Idaho: 50.6%
- Illinois: 53.4%
- Indiana: 43.2%
- Iowa: 47.7%
- Kansas: 43.4%
- Kentucky: 50.2%
- Louisiana: 56.9%
- Maine: 45.7%
- Maryland: 47.2%
- Massachusetts: 49.8%
- Michigan: 51.1%
- Minnesota: 39.8%
- Mississippi: 46.1%
- Missouri: 49.8%
- Montana: 56.1%

How Does Your State Rank?

Percentage of Private Sector Workers **WITHOUT** Access to Workplace Savings Plan by State (NV- WY)

- Nebraska: 45.7%
- Nevada: 57.2%
- New Hampshire: 44.5%
- New Jersey: 53.5%
- New Mexico: 53.9%
- New York: 51.9%
- North Carolina: 47.9%
- North Dakota: 44.1%
- Ohio: 48.4%
- Oklahoma: 47.6%
- Oregon: 45.6%
- Pennsylvania: 45.1%
- Rhode Island: 53.6%
- South Carolina: 53.6%
- South Dakota: 45.0%
- Tennessee: 45.5%
- Texas: 52.6%
- Utah: 45.1%
- Vermont: 45.2%
- Virginia: 45.2%
- Washington: 45.2%
- West Virginia: 45.1%
- Wisconsin: 48.3%
- Wyoming: 42.2%

52 percent of households are at risk of not having enough to maintain their living standards in retirement, according to the Center on Retirement Research.

Source: Center for Retirement Research, National Retirement Risk Index
Access to Retirement Plans by Age

Figure 5: Over 45 Percent of all Working-Age Households Do Not Own Assets in a Retirement Account

Household retirement account ownership by age of head of household, 2013

Source: NIRS “The Continuing Retirement Savings Crisis”
Solutions

There are five essential ingredients that facilitate adequate retirement savings rates: availability, automatic enrollment, ease of investment, automatic escalation, and lifetime income streams.

Action steps:
1) Make retirement plans with payroll deduction available to all workers. Currently, 55 million US employees have no way to save for retirement at work.

2) Increase participation and savings rates by changing the choice architecture of retirement plans, utilizing the findings of behavioral economics
Workers are 15x More Likely to Save if Employer Offers Plan

Participation Rates

Not covered by an Employer Plan - Deductible IRA Only: 4.6%
Covered by an Employer Plan: 71.5%

Data compiled by AARP’s Public Policy Institute from unpublished estimates from the Employee Benefit Research Institute of the 2004 Survey of income and Program Participation Wave 7 Topical Module (2006 data). See also Brookings’ Retirement Security Project and WhiteHouse.gov
Payroll Deduction Valued Across All Income Levels

Figure 3
Importance of Being Able to Deduct Retirement Savings Plan Contributions From Taxable Income as an Encouragement to Save for Retirement, Among Full-time Workers, by Total Household Income

Effect of Auto Enrollment on Participation

How Employees Feel about Automatic Enrollment

• 97% of employees in auto-enrollment firms approve of auto-enrollment.

• Opt-out rates under automatic enrollment are typically only 15% (rarely exceeding 20%)

• Even among workers who opt out of automatic enrollment, approval is 79%.

Source: David Laibson Harvard University and NBER July 2008
According to a recent Utah study, the total cost to taxpayers for new retirees will top $3.7 billion over the next 15 years. This constitutes potential savings for taxpayers if we act now.

Additional findings:
• 18% of retirees in the next 15 years will retire with more debt than savings.

• A 10% increase in net worth of the 1/3 least prepared for retirement will save taxpayers $194 million through 2030.

Source: Notalyis
529’s: A model for retirement?

The plan-level data collected shows that 529 plan assets reached record amounts as of June 30, 2014, with $244.5 billion invested nationally. This is a 7.6% increase during the first half of 2014.

The chart below shows annual 529 plan assets based upon data collected from 1996 through June 30, 2014.

Source: College Savings Plan Network
A New Approach: Work and Save

- State facilitated approach to retirement savings- auto IRA, Secure Choice, marketplace
- Utilizes the power of payroll deduction, automatic enrollment, and automatic escalation when possible
- Allows employees and small businesses to benefit from the power of pooling
- Saves Taxpayer Dollars
- Self-sustaining Plan
2012: Massachusetts passed plan for non-profits
California passed feasibility study

2013: Oregon passed study of retirement security

2014: Minnesota and Connecticut each passed a feasibility study, appropriating $400k for the work
Over a dozen states working on this concept nationwide.

2015: Illinois, Oregon and Washington Governors sign new laws
Utah Senate and Virginia pass studies unanimously.
20+ states addressing financial security
Work and Save: A National Movement

2014 Work and Save

[Map showing states participating in the 2014 Work and Save program]
Small business owners overwhelmingly agree that retirement benefits help recruit good employees

**Percent Strongly or Somewhat Agree**

- Offering retirement benefits helps recruitment of good employees: 82%
- I feel a responsibility to provide some kind of retirement benefits: 73%
- It would be nice to offer a retirement benefit but it's too expensive: 64%
- Offering a retirement benefit helps my company's bottom line: 62%
- It would be nice to offer a retirement benefit but it's too complicated to...: 50%

Data from NCPERS
Across party lines, eight in ten agree that elected officials should support a retirement savings plan and many would think positively of small businesses that offer a plan.
National Media Attention

Clearing a Path for State-based Retirement Plans

Filed in DOL, Retirement, Secretary Perez by Secretary Tom Perez on July 13, 2015 • 0 Comments

Some States Look to Fill a Retirement Savings Gap

Retirement plans for small business gaining steam

May 28, 2015, 6:00 AM ET

States Tackle America’s Retirement-Savings Shortfall

Pensions & Investments

State private retirement programs get help from president

GOVERNING

FINANCE

States Forge Ahead of Feds to Address Retirement Crisis
“Secure Choice opens up access to a secure and affordable employment-based retirement savings opportunity from which minority communities have been historically excluded. It will also help to create a culture of saving and financial literacy that will benefit financial services firms.”

– Martin Cabrera, Jr., Cabrera Capital Markets

Supporters:

- TIAA- CREF
- Cabrera Capital
- Ariel Investments
- American Society of Pension Professionals and Actuaries
- Illinois Black Chamber of Commerce
- National Association of Women Business Owners
- AARP
Supporters:

American Council of Life Insurers

Securities Industry and Financial Markets Association

AARP

“On behalf of the Securities Industry and Financial Market Association, representing securities firms, banking, and asset management- in strong support of the legislation in front of you ... a long-term retirement plan is in the benefit of the country. This plan itself is a great option in our viewpoint... This state sets the national path.”

~ Testimony provided by SIFMA representative February 11 on SB 5826
Industry Support for Work and Save - Maryland Task Force/ Secure Choice

“We are a strong advocate of a plan like this, and highly recommend an option that allows the private sector an opportunity to also manage and administer the program.”

Gary Kleinschmidt, Member Task Force to Ensure Retirement Security for All Marylanders

Sample of Participants:
Vice Chairman, T. Rowe Price
Retirement Sales Manager, Legg Mason Global Asset Management
Secretary, Maryland Department of Business and Economic Development
Maryland State Treasurer
Secretary-Treasurer, Maryland State and DC AFL-CIO
Policy Director for Public Services, SEIU
Members of House and Senate
Questions?
Sarah Mysiewicz Gill
Senior Legislative Representative
State Financial Security & Consumer Affairs
AARP
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sgill@aarp.org
@pensionimpossible

Additional Resources:
AARP’s Public Policy Institute State Retirement Savings Resource Center
http://www.aarp.org/ppi/state-retirement-plans/