

FOR IMMEDIATE RELEASE: July 17, 2013

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New From EBRI:

Choices that Affect Retirement Income Adequacy

WASHINGTON—A wide variety of internal and external forces influence the retirement readiness of Americans, and a recent policy forum sponsored by the nonpartisan Employee Benefit Research Institute (EBRI) examined those factors, as well as a series of strategic and tactical decisions that can mitigate their impact.

At the forum, titled “Decisions, Decisions: Choices That Affect Retirement Income Adequacy,” a wide range of national experts on U.S. retirement policy offered the roughly 200 attendees insights on topics such as the impacts of a sustained low-interest-rate environment on retirement savings and retirement income, the influences of the employer match in 401(k) plans, and suggestions on how to help plans and participants optimize their distribution choices—in particular rollover, drawdown, and annuity options.

“EBRI’s policy forums provide a unique opportunity for policymakers, regulators, industry professionals and academics to discuss the very latest research and implications for benefits policy,” said Jack VanDerhei, EBRI research director.

Among the findings presented at the policy forum, and published in the July *EBRI Notes* (online at www.ebri.org):

- Roughly a quarter of Baby Boomers and Gen-Xers, who would have had adequate retirement income under historical averages, would end up running short of money in retirement if today's rates are assumed to be a permanent condition, although there is likely to be little impact from low bond rates on the lowest-income group.
- The current interest rate environment, and its duration, has implications for defined contribution plans in term of the type(s) of fixed-income offerings on the menu, as well as stable-value and target-date funds.
- The economic environment has had an impact on employer contributions to 401(k) plans—although among the minority of plan sponsors that suspended their matching contributions during the recent recession, many have restored them. Few employers have moved to less frequent matching cycles (such as annually), and the vast majority provide a 401(k) match coincident with their payroll cycle.

- The level of the match seems to have an impact on contribution levels in voluntary-enrollment 401(k) plans, less so with automatic enrollment plan designs.
- There doesn't appear to be any linkage between adopting automatic enrollment and changes to the employer contribution level/timing.
- The vast majority of defined benefit (pension) plan participants who were not forced to take an annuity chose to take a lump-sum distribution.
- Plan design matters, both in term of the savings decisions participants make, and the decisions they make post-retirement.

EBRI-ERF holds a minimum of two policy forums per year. Their goal is to bring together a cross-section of EBRI sponsors, congressional and executive branch staff, benefit experts, and representatives from the benefits profession, interest groups, labor, and academia to examine public policy issues. The forums are roundtable discussions featuring verbal and written exchange among speakers and participants. The next EBRI policy forum will be held Dec. 13, 2013, in Washington, D.C., as the Employee Benefit Research Institute commemorates its 35th anniversary. For more information, please visit www.ebri.org