Key Provisions of SECURE Act Projected to Reduce Retirement Deficit by more than $100 Billion for Households Currently Ages 35-64

Deficit Reductions Greater for Younger Workers and Employees Working for Small Employers

Washington, D.C. – February 20, 2020 – A new study conducted by the Employee Benefit Research Institute (EBRI) finds that key provisions of the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) could reduce the U.S. retirement deficit by 3% or $115 billion for households between 35-64. For workers currently age 35-39, the percentage reduction increases to 5.3 percent, and further increases to 10.7 percent if they work for small employers (less than 100 employees).

The Issue Brief, “Impact of the SECURE Act on Retirement Income Adequacy,” uses EBRI’s Retirement Security Projection Model® (RSPM) to evaluate the impact of provisions in the SECURE Act on retirement income adequacy on a national basis, including greater access by allowing providers to offer multiple employee plans (MEPs), raising the cap under which plan sponsors can automatically enroll workers in “safe harbor” 401(k) plans from 10% to 15% of wages, and required coverage of long-term part-time employees.

The impact of these provisions, by themselves and in combination with others, is analyzed to provide a quantitative estimate on the impact on retirement income adequacy. This effect is measured by changes in the average simulated retirement savings deficits and surpluses.1

EBRI’s RSPM® simulates retirement income adequacy for all U.S. households between the ages of 35 and 64. The model reflects the real-world behavior of 27 million 401(k) participants, as well as 20 million individuals with individual retirement accounts (IRAs).

The percent reductions in retirement savings deficits aggregated across all age groups would be greater for employees working for smaller employers: 5.6 percent for employers with less than 100 employees and 5.2 percent for those with 100 to 500 employees. The households of young workers, currently ages 35-39, will have more time to benefit from these new provisions and their retirement savings deficit reductions are significantly greater — 5.3 percent for all

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1 RSPM® produces two important metrics for evaluating retirement income adequacy. Retirement Savings Shortfalls give the present value of the simulated retirement deficits at retirement age in 2019 dollars. Retirement Savings Surpluses give the present value of simulated retirement surpluses at retirement age in 2019 dollars.
employer sizes combined, 10.7 percent for those with less than 100 employees and 8.6 percent for those with 100-500 employees.

“It is important to note that any analysis focusing exclusively on retirement savings deficits is limited to households who are expected to run short of money in retirement. Therefore, we also look at retirement savings surplus to better understand the full impact of the new legislation,” said Jack VanDerhei, Director of Research, EBRI, and author of the report.

Overall, EBRI finds that when all three SECURE provisions are included with baseline assumptions on Open MEP take-up rates and participation rates, the retirement savings surplus would have an overall increase of 5.9 percent. As expected, the percent increases in retirement savings surplus (aggregated across all age cohorts) would be larger for employees working for smaller employers: 8.9 percent for employers with less than 100 employees and 7.8 percent for those with between 100 and 500 employees. The youngest cohort (those currently ages 35-39) will have more time to benefit from these new provisions and their retirement savings surplus increases are significantly greater: 14.4 percent for all employer sizes combined, 20.5 percent for those with less than 100 employees and 16.3 percent for those with 100-500 employees.”

EBRI plans to publish at least two additional Issue Briefs on the impact of the SECURE act. The next one will look at the impact of these provisions on assets under management for the next ten years under a series of sensitivity analyses. A third Issue Brief will be published on the likely take-up of in-plan annuity options by employers and employees.

“Impact of the SECURE Act on Retirement Income Adequacy” is available at ebri.org.

About EBRI:

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