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New Research from EBRI:

What's Ahead for "Defined Contribution" Health and Retirement Benefits

WASHINGTON—For more than a quarter-century now, most private-sector American workers who have a retirement plan at work have funded it primarily through their own contributions—and do not have a traditional pension funded exclusively by the employer. Various new retirement policy proposals could go in opposite directions: encourage greater participation in retirement plans (such as with auto-IRAs), changing employee 401(k) contributions through a "stretch match" (to increase account balances)—or possibly even cut federal tax incentives for workplace retirement plans.

While the majority of private-sector health benefit costs historically have been paid by employers, that may be starting to change with the advent of "defined contribution" health plans that cap employers' health costs.

This has major implications for the American work force, the U.S. health care system, and even economic security in the nation. The issues and "the Road Ahead" for DC benefits were explored at EBRI's 76th policy forum held in Washington this spring, and a synopsis of the discussions is published in the November *EBRI Notes*, online at www.ebri.org

Panelists included experts from a cross-section of employers, nonprofits, consulting firms, think-tanks and trade associations shared their observations and experiences with "DC benefits" with both health and retirement plans.

On the health side, presenters included:

- Paul Fronstin, director of EBRI's Health Research & Education Program, who explained the concept of DC health, why employers are interested in it, projected growth, and how the movement from defined benefit (DB) to defined contribution retirement benefits is similar and different from the anticipated movement to DC health.
- Ted Nelson, global vice president of benefits for Hilton Worldwide, who discussed Hilton's experience of adopting a private health exchange for its workforce in 2014.
- David Burroughs, corporate benefits manager for the American Red Cross, who explained why his organization decided not to adopt a private health exchange but made several changes with its health plans that moved in that direction.
- Christopher Calvert, senior vice president for Sibson Consulting, a major benefits consulting firm and one of the few that does not offer a private health exchange, who highlighted what he called several misconceptions about health exchanges.

On the retirement side, presenters included:

- Jack VanDerhei, EBRI research director, who presented new EBRI modeling results of three different proposed retirement policy scenarios, including universal adoption of auto-enrollment 401(k)s, the "stretch match" provision for 401(k)s as an alternative "safe harbor" default for retirement plan sponsors, and automatic individual retirement accounts (IRAs), or "auto-IRAs."
- Derek Dorn, vice president and associate general counsel of TIAA-CREF, who discussed the importance of federal tax incentives for retirement savings and possible impacts of wholesale reform of the federal tax code, as some have proposed.
- Judy Miller**,** director of retirement policy for American Retirement Association and executive director, ASPPA College of Pension Actuaries, who discussed the importance of shoring up Social Security at a time when many Americans have little or nothing saved for retirement.
- Bill Hoagland, senior vice president, Bipartisan Policy Center, who discussed the recent work by the Center's Commission on Retirement Security and Personal Savings, which is preparing to release its recommendations in the near future.

The full report, "Evidence on Defined Contribution Health and Retirement Benefits: The Road Ahead," is published in the November 2015 *EBRI Notes* and online at www.ebri.org

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