EBRI FAST Facts
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How Much More Secure Does the SECURE Act Make American Workers: Evidence From EBRI's Retirement Security Projection Model®

The recently passed Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was designed to improve retirement coverage as well as the ability of individuals to manage important retirement-related risks. In a recent *Issue Brief*,[1] the Employee Benefit Research Institute's (EBRI's) Retirement Security Projection Model® (RSPM) is used to evaluate the impact of provisions in the SECURE Act on national retirement income adequacy, including:[2]

- Greater access by allowing providers to offer multiple employer plans (open MEPs).
- Higher cap under which plan sponsors can automatically enroll workers in "safe harbor" retirement plans, from 10 percent of wages to 15 percent.
- Coverage of long-term part-time employees.

We use three 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).
- Net retirement savings surpluses give the present value of simulated retirement surpluses less retirement deficits at retirement age (in 2019 dollars).

Retirement Deficit Reduction Under SECURE

We find, under the baseline assumptions,[3] the aggregate retirement deficit reduction is 3.0 percent (Figure 1). The deficit reduction is 5.6 percent for employees working for employers with fewer than 100 employees and 5.2 percent for employees working for employers with 100–500 employees. For employees ages 35–39, the deficit is reduced by:

- 5.3 percent overall.
- 10.7 percent for employees working for employers with fewer than 100 employees.
- 8.6 percent for employees working for employers with 100–500 employees.

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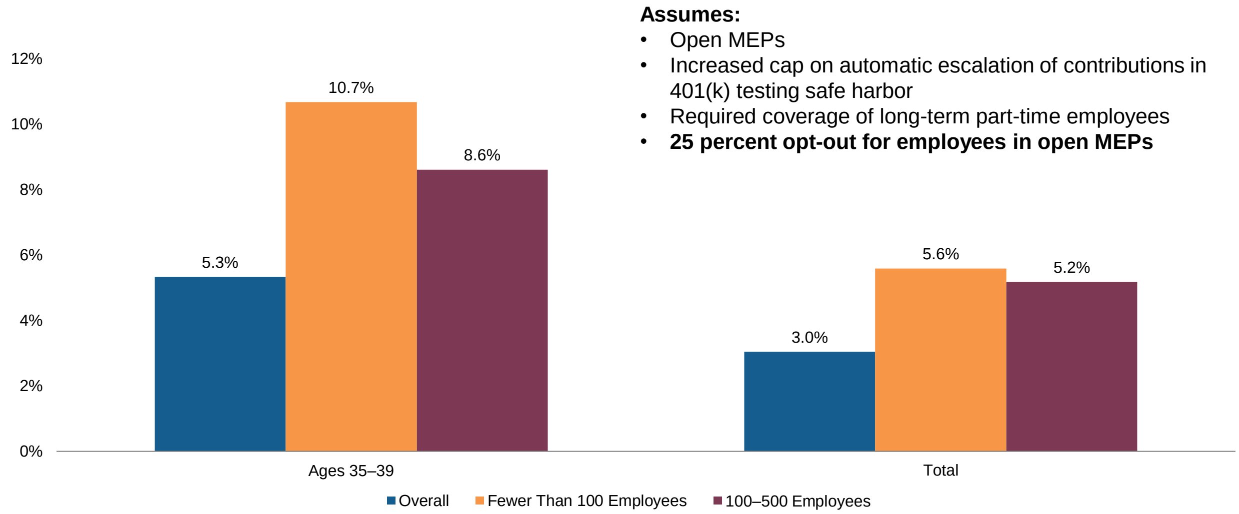
[1] Jack VanDerhei, "How Much More Secure Does the SECURE Act Make American Workers: Evidence From EBRI's Retirement Security Projection Model®," *EBRI Issue Brief*, no. 501 (Employee Benefit Research Institute, February 20, 2020). https://www.ebri.org/retirement/publications/issue-briefs/content/how-much-more-secure-does-the-secure-act-make-american-workers-evidence-from-ebri-s-retirement-security-projection-model

[2] SECURE also provided the option of guaranteed income for life from 401(k) and 403(b) plans and modified required minimum distributions. Both of these topics will be included in a future *Issue Brief* on SECURE.

[3] See *EBRI Issue Brief* no. 501 for a detailed explanation on the baseline assumptions.

Figure 1
Percentage Decrease in Retirement Savings Deficits, by Age and Size of Employer



Retirement savings shortfalls are defined as the present value of deficits in retirement valued at age 65 in 2019 dollars.
Based on assumptions from 2016 Multiple Employer Plan Research, Prudential Retirement.
Source: EBRI RSPM® Version 3437.

Increase in Savings Surplus Under SECURE

Next we examine the increase in savings surpluses due to SECURE provisions, or savings of those who are not simulated to experience a retirement deficit. Figure 2 shows that under the baseline assumptions the total retirement savings surplus increase aggregated across all age cohorts is 5.9 percent under a scenario with 25 percent non-participation. It is 8.9 percent for employees working for employers with fewer than 100 employees and 7.8 percent for employees working for employers with 100–500 employees.

For younger age cohorts, there is a 14.4 percent increase in surplus for those ages 35–39 compared with the 5.9 percent for all ages combined. There is a similar impact for employees working for smaller employers. Retirement surplus increases:

- 20.5 percent for employees ages 35–39 working for employers with fewer than 100 employees compared with the 8.9 percent increase overall in this size range.
- 16.3 percent for employees ages 35–39 working for employers with 100–500 employees compared with the 7.8 percent increase overall in this size range.

Net Impact of SECURE

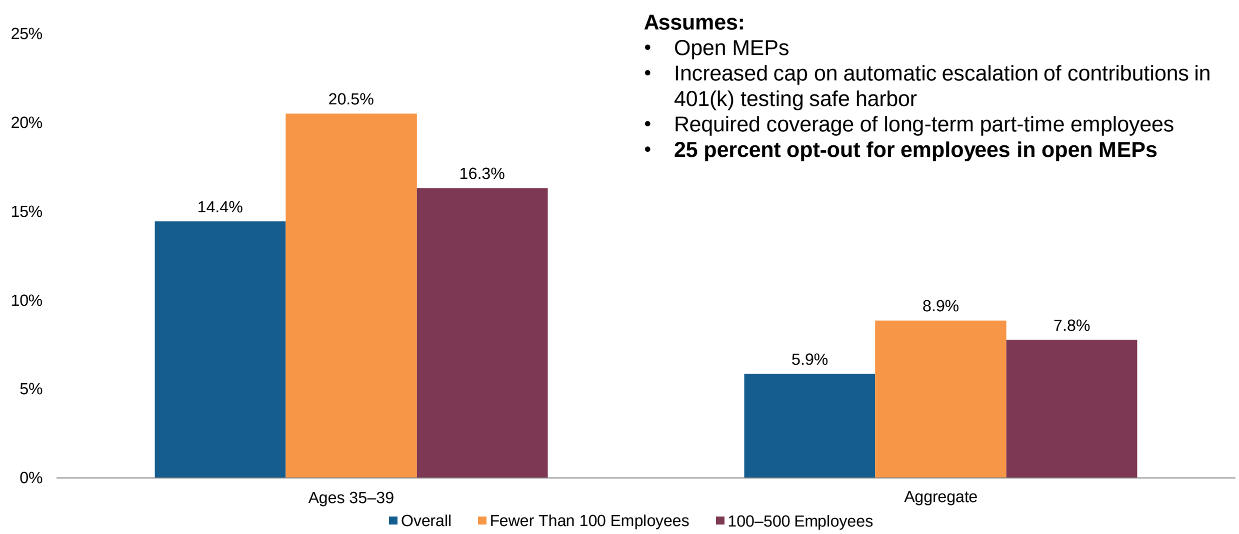
Finally, Figure 3 shows that under the baseline assumptions overall there is a 6.6 percent increase in net retirement savings surpluses — or in other words, the increase in surpluses plus decrease in deficits. There is a 10.8 percent increase for employees working for employers with fewer than 100 employees and an 8.9 percent increase for employees working for employers with 100–500 employees.

Overall there is a 17.5 percent increase in net retirement savings surpluses for those ages 35–39 compared with the 6.6 percent for all ages combined. There is a similar impact for employees working for smaller employers. The net retirement savings surplus increases:

- 26.6 percent for employees ages 35–39 working for employers with fewer than 100 employees compared with the 10.8 percent increase overall in this size range.
- 19.1 percent for employees ages 35–39 working for employers with 100–500 employees compared with the 8.9 percent increase overall in this size range.

Figure 2

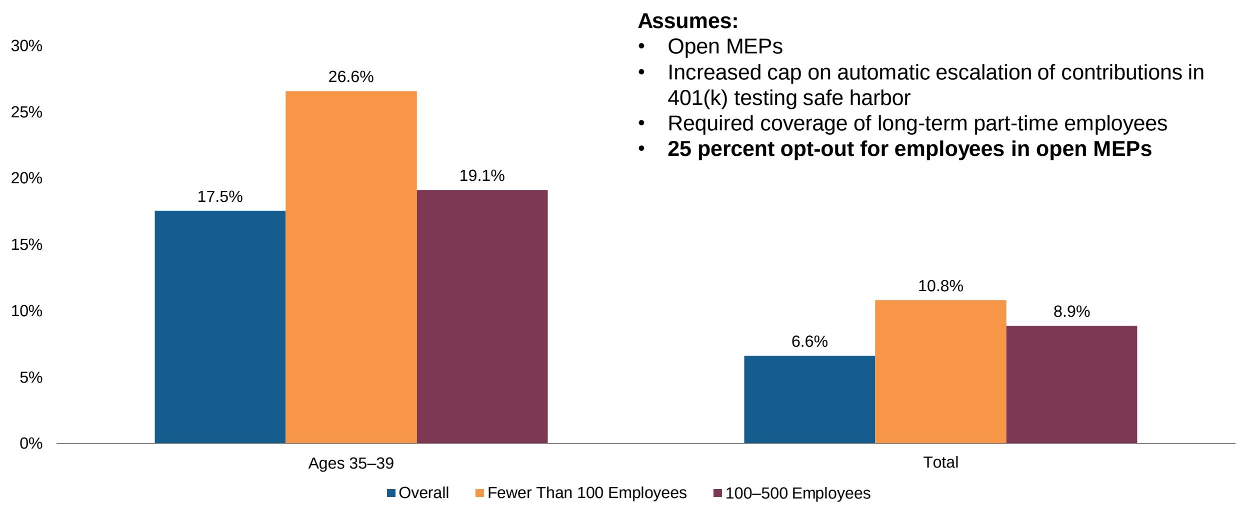
Percentage Increase in Retirement Savings Surpluses, by Age and Size of Employer



Retirement savings surpluses are defined as the present value of surpluses in retirement valued at age 65 in 2019 dollars.
Based on assumptions from 2016 Multiple Employer Plan Research, Prudential Retirement.
Source: EBRI RSPM® Version 3437.

Figure 3

Percentage Increase in Net Retirement Savings Surpluses, by Age and Size of Employer



Net retirement savings surpluses are defined as the present value of surpluses in retirement minus the present value of deficits in retirement valued at age 65 in 2019 dollars.
Based on assumptions from 2016 Multiple Employer Plan Research, Prudential Retirement.
Source: EBRI RSPM® Version 3437.

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