EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

At a Glance | August 8, 2019

Projecting the Impact of Policy and Design Proposals on Retirement Income Adequacy

We used the EBRI Retirement Security Projection Model® to simulate a few proposed changes.

MAKING PROJECTIONS

Our projections reveal reduced deficits for all age cohorts. Deficits would be significantly lowered by the addition of auto portability.

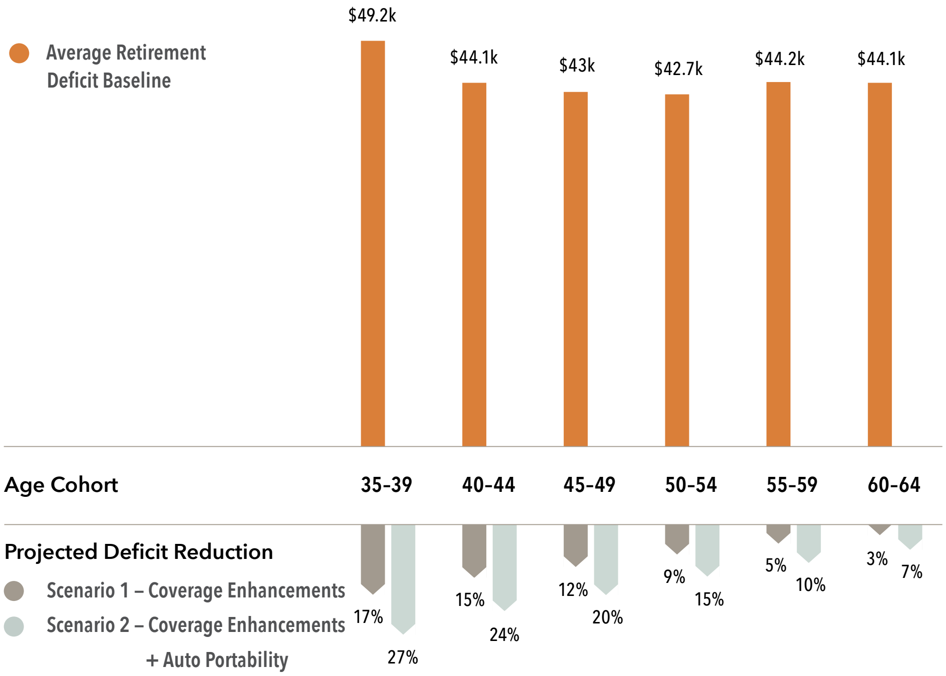
SCENARIO 1
COVERAGE ENHANCEMENTS

All employers (except those with fewer than 10 employees) are required to offer defined contribution (DC) plans. New plans are auto-IRAs with a 6 percent default contribution rate that auto-escalates by 1 percent annually until it reaches 15 percent of pay. It assumes 30 percent opt-out for new eligibles and includes all non-excludable employees.

SCENARIO 2
COVERAGE ENHANCEMENTS + AUTO PORTABILITY

Upon termination, participants in Scenario 1 would have the account from their former employer automatically combined with their account in the new employer's plan.

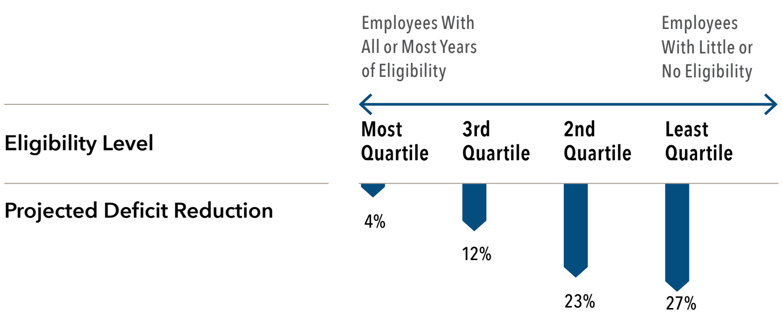
Average Retirement Deficit and Projected Deficit Reduction Under Two Scenarios
By Age



INCREASED ACCESS

Expanding access to open multiple employer plans (MEPs) results in a significant reduction in retirement deficits for employees ages 35-39 who otherwise would spend a large portion of their work career without eligibility. Workers are divided into quartiles according to their eligibility level.

Projected Deficit Reduction as a Result of the Availability of Open MEPs
Ages 35-39 Distributed by Future Years in the Work Force Without Eligibility



SOURCE: Jack VanDerhei. "Under the Dome – A Closer Look at Legislative Proposals Impacting Retirement," *EBRI Issue Brief*, no. 486 (Employee Benefit Research Institute, July 11, 2019).