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EBRI’S 90TH POLICY FORUM

Monday, December 6 — Keynote: Department of Labor Update With Kathleen Kennedy Townsend

A Path to a More Equitable Solution: Solving the Retirement Coverage Gap

Tuesday, December 7 — Spending in Retirement: The Full Picture

Thursday, December 9 — Health Care Reform Redux: How Might Legislative and Regulatory Action Drive Change?
THANK YOU, POLICY FORUM DEVELOPMENT TASK FORCE!

Vice Chair, PPAC: Liz Varley, Ameriprise Financial

Task Force:
Nevin Adams, American Retirement Association
Reagan Anderson, Capital Group
Rhonda Berg, Mercer
Nicky Brown, HealthEquity, Inc.
Chris Byrd, WEX Health
Rob Capone, Legal & General Investment Management America
Kathryn Carleson, HealthEquity, Inc.
Drew Carrington, Franklin Templeton
Kelsey Chin, Millennium Trust Company
Josh Cohen, PGIM
David Cruz, New York Life
Liz Davidson, Financial Finesse, Inc.
Mark Dennis, Financial Finesse, Inc.
Jody Dietel, HealthEquity, Inc.
Bob Doyle, Prudential Retirement
Jennifer Flodin, Mercer
Josh Freely, TIAA
Kris Haltmeyer, Blue Cross Blue Shield Association
Katie Hockenmaier, Mercer
Bob Holcomb, Empower Retirement
Sarah Holden, Investment Company Institute
Kirsten Hunter, Fidelity Investments
Tom Johnson, Retirement Clearinghouse
Melissa Kahn, State Street Corporation
Marla Kreindler, Morgan, Lewis & Bockius LLP
Mike Lanza, Ameriprise Financial
Lisa Margeson, Bank of America
Martin McGuinness, Unum
Ed Murphy, Empower Retirement
Meenu Natarajan, Mercer
Chantel Sheaks, U.S. Chamber of Commerce
Mike Skinner, T. Rowe Price
Kevin Smart, Custodia
Michael Sowa, Benetic
Jana Steele, Callan Associates, Inc.
Christopher T. Stephen, National Rural Electric Cooperative Association
Aron Szapiro, Morningstar
Renee Wilder Guerin, Retirement Clearinghouse LLC
KEYNOTE: DEPARTMENT OF LABOR UPDATE WITH KATHLEEN KENNEDY TOWNSEND

Kathleen Kennedy Townsend, Special Assistant to the Secretary of Labor for Retirement Policy

Moderated by: Melissa Kahn, Managing Director, State Street Global Advisors
POLLING QUESTION
PLEASE SHARE YOUR THOUGHTS
A PATH TO A MORE EQUITABLE SOLUTION: SOLVING THE RETIREMENT COVERAGE GAP

Jack VanDerhei, Research Director, EBRI

Zachary Keep, Manager, Compliance Risk, Paychex

John Scott, Project Director, Retirement Savings, The Pew Charitable Trusts

Moderated by: Melissa Kahn, Managing Director, State Street Global Advisors

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A PATH TO A MORE EQUITABLE SOLUTION: SOLVING THE RETIREMENT COVERAGE GAP

John Scott, Project Director, Retirement Savings, The Pew Charitable Trusts
A Path to a More Equitable Solution: Solving the Retirement Coverage Gap

Zachary Keep
Manager, Compliance Risk, Paychex
EBRI Policy Forum
December 6, 2021

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Pooled Employer Plan Overview

- A ‘MEP-like’ plan
- No requirement for commonality amongst plans
- Facilitate access to plans for SMB’s
- Reduce Fiduciary risk
- Facilitate access to high-quality investments
The Paychex PEP - Living up to the intent of the SECURE act

Paychex serves as Pooled Plan Provider (PPP)

- No proprietary investments
- Launched in early 2021
- 8000+ plans to date
- $70 million in assets
PEPs- A significant facilitator 401(k) access

41% of participating employers had considered offering a 401(k) in the past

77% of participating employers offered a PEP to retain talent

44% of participating employers “might not” have offered a plan in the absence of a PEP

16% of participating employers “would not” have offered a plan in the absence of a PEP
Key Criteria in Evaluating a Plan

- **61%** Easy to Start
- **60%** Administrative Burden
- **46%** Price
- **34%** Fiduciary Responsibility
Looking to the future

- What will final guidance contain?
- Shared Service Rules?
- The criticality of tax credits
A Path to a More Equitable Solution: Solving the Retirement Coverage Gap

Jack VanDerhei, Ph.D.
EBRI Research Director
EBRI Policy Forum
December 6, 2021

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Summary of Findings

• The combination of Automatic Contribution Plan/Arrangement (ACPA) and enhanced savers credits are projected to have a huge impact on reducing retirement deficits when analyzed for households simulated to have a retirement deficit
  – For those currently ages 35-39 the reductions in retirement deficits vary from 17 to 26 percent, depending on race
  – This combination has an even larger impact on households who are not simulated to have a retirement deficit

• The results are relatively robust to changes in assumptions for withdrawal rates and opt out rates
  – However extremely large annual withdrawal rates for either ACPA or enhanced savers credits can significantly reduce the beneficial impact of these proposals
EBRI’s Retirement Security Projection Model (RSPM)

Accumulation phase
- Simulates retirement income/wealth to retirement age for all US households ages 35-64 from defined contribution, defined benefit, IRA, Social Security, housing equity
  - 401(k) participant behavior based on individual administrative records
    - Annual linked records dating back to 1996 (27 million participants from 110,000 plans)
  - Social Security based on current statutory benefits for baseline

Retirement/decumulation phase
- Simulates 1,000 alternative life-paths for each household, starting at 65
- Deterministic modeling of costs for food, apparel and services, transportation, entertainment, reading and education, housing, and basic health expenditures.
- Stochastic modeling of longevity risk, investment risk, long-term care (LTC) costs

Output (Aggregated across all households in a cohort and expressed in 2019 dollars)
- Retirement Readiness Rating (RRR): Probability that a household will NOT run short of money in retirement
- Retirement Savings Shortfall (RSS-)
  - For those households simulated to experience a shortfall
  - Present value of simulated retirement deficits at retirement age
  - Current aggregate of $3.83 trillion
- Retirement Savings Surpluses (RSS+)
  - For those households simulated to experience a surplus
  - Present value of surpluses in retirement valued at age 65 in 2019 dollars
- Retirement Savings Net Outcomes (RSNO)
  - For all households combined
  - RSS+ minus RSS-

For a list of approximately 50 studies using RSPM please see: bit.ly/ebri-rspm-new
Description of proposal and assumptions

• Automatic Contribution Plan/Arrangement (ACPA)
  – Employers with more than 5 employees would generally be required to maintain an automatic contribution plan/arrangement
  – Sponsors with certain previous plans would be grandfathered
  – **Baseline assumptions**
    o Auto-IRA for new sponsors.
    o 6% default with escalation to 10%.
    o 30% opt-out for new eligibles
  – Results depend significantly on assumptions for opt-out and withdrawal behavior as well as type of plan chosen

• Savers Credit
  – Replace the current saver’s credit with a simple, 50% government match on contributions of up to $1000 per year made to 401(k)-type plans and IRAs by individuals with income up to $25,000, couples with income up to $50,000 and head of household up to $37,500
    o The amount of the match would phase out over the next $10,000 of income for individuals and $20,000 for couples/head of household
  – Refundable
  – **Baseline assumption = everyone eligible will take the full amount**
Baseline Retirement Savings Shortfalls (RSS-) by age and race

<table>
<thead>
<tr>
<th>Age Group</th>
<th>White</th>
<th>Black</th>
<th>Hispanic</th>
<th>Other</th>
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<tbody>
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<td>35-39</td>
<td>$31,084</td>
<td>$47,781</td>
<td>$42,860</td>
<td>$42,704</td>
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<td>$25,382</td>
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<td>55-59</td>
<td>$27,756</td>
<td>$46,037</td>
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<td>60-64</td>
<td>$30,340</td>
<td>$51,550</td>
<td>$47,047</td>
<td>$38,934</td>
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</table>

Source: Employee Benefit Research Institute Retirement Security Projection Model® Version 3670race
Reduction in Retirement Savings Shortfalls (RSS-) by age and race after modifications for Saver’s Credit and ACPA

Source: Author’s simulations
Increase in Retirement Savings Surpluses (RSS+) by age and race after modifications for Saver’s Credit and ACPA

<table>
<thead>
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<th>Age Group</th>
<th>White</th>
<th>Black</th>
<th>Hispanic</th>
<th>Other</th>
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<tbody>
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<td>40-44</td>
<td>30.2%</td>
<td>36.0%</td>
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<td>45-49</td>
<td>22.4%</td>
<td>21.7%</td>
<td>25.4%</td>
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<tr>
<td>50-54</td>
<td>13.9%</td>
<td>14.0%</td>
<td>15.5%</td>
<td>13.5%</td>
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<td>55-59</td>
<td>8.3%</td>
<td>11.1%</td>
<td>9.9%</td>
<td>9.1%</td>
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<tr>
<td>60-64</td>
<td>5.3%</td>
<td>6.2%</td>
<td>6.8%</td>
<td>6.5%</td>
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</tbody>
</table>

Source: Author’s simulations
## Increase in Retirement Savings Net Outcomes (RSNO) by age and race after modifications for Saver’s Credit and ACPA

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<th>White</th>
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<th>Hispanic</th>
<th>Other</th>
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<td>74.6%</td>
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<td>40-44</td>
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<tr>
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<td>5.7%</td>
<td>7.7%</td>
<td>8.1%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

Source: Author’s simulations
SENSITIVITY ANALYSIS
Reduction in Retirement Savings Shortfalls (RSS-) for those 35-39 by race: sensitivity analysis on ACPA optout rates*


Source: Author’s simulations
Reduction in Retirement Savings Shortfalls (RSS-) for those 35-39 by race: sensitivity analysis on withdrawal rates

![Graph showing RSS- by race and withdrawal rates]

**Source:** Author’s simulations
Next steps

• Additional breakouts by
  – Wage
  – Gender
  – Family status
  – Future years of eligibility in a defined contribution plan
TOMORROW’S EVENT

EBRI WINTER POLICY FORUM WEBINAR
DECEMBER 7, 2021
2:00–3:00 P.M.

Spending in Retirement: The Full Picture

Featuring:
Tamiko Toland, Director, Retirement Markets, Cannex
Steve Vernon, President, Rest-of-Life Communications
Ali Ahmed, Director, Thought Leadership, Fidelity
Lori Lucas, President and CEO, EBRI, Moderator
UPCOMING EBRI PROGRAMS

Webinar: Generational Differences in Wealth – January 19, 2022
Webinar: Workplace Wellness Survey Core Findings – February 2, 2022
Webinar: Workplace Wellness Survey Race & Ethnicity Findings – February 23, 2022
Webinar: Members Only Research Round Up – March 9, 2022
Webinar: Retirement Income Security of Public Employees – March 16, 2022
Webinar: Health Savings Account Data Update – March 30, 2022
Webinar: EBRI/ICI 401(k) Contribution Analysis – April 20, 2022
Washington, DC: May Policy Forum – May 13, 2021

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