EBRI-ERF POLICY FORUM #86
RETIREMENT, HEALTH, AND FINANCIAL WELLBEING

DECEMBER 12, 2019
Wi-Fi Network: DCCTR
Password: meeting2015DC

#EBRIPolicyForum

Speaker bios can be found
COCKATIELS IN MELBOURNE
FEEDING THE COCKATIELS
AUSTRALIAN KING PARROT
IN RECOGNITION OF MICHAEL DOSHIER, PPAC CHAIR
THANK YOU POLICY FORUM DEVELOPMENT TASK FORCE!

Chris Byrd, Wex Health
Bob Doyle, Prudential
Josh Freely, TIAA
Bob Holcomb, Empower Retirement
Tom Johnson, Retirement Clearinghouse
Melissa Kahn, State Street Global Advisors
Stacy Scapino, Mercer
Joe Healy, PIMCO
Andrew Schreiner, Fidelity Investments
Mike Skinner, T Rowe Price
Michael Doshier, T Rowe Price
Liz Varley, Ameriprise Financial
Michael Sowa, LGIMA
Jana Steele, Callan
Chris Stephen, NRECA
Aron Szapiro, Morningstar
Jeff Tulloch, MetLife
WELCOME

Lori Lucas
President and CEO, EBRI

Bob Holcomb
Vice Chair, EBRI Public Policy Advisory Council
Vice President Legislative and Regulatory Affairs, Empower Retirement
AGENDA

8:30  Welcome
8:45  Spending in Retirement: Policy Implications
9:30  Break
9:40  Director Kathy Kraninger of the CFPB on Emergency Savings
10:00 Spending in Retirement: Recent Research and Practical Approaches
10:55 Networking Break
11:05 Washington Update
11:35 Price and Quality Transparency and Other Initiatives to Address High Cost Claimants
12:35 Motivations and Measurement of Financial Wellness Initiatives
1:00  Networking Lunch
1:35  Luncheon Keynote
1:55  Wrap Up
2:00  Adjourn
SPENDING IN RETIREMENT: POLICY IMPLICATIONS

Alicia Munnell, Peter F. Drucker Professor of Management Sciences at Boston College’s Carroll School of Management and Director of the Center for Retirement Research at Boston College
Spending in Retirement: Policy Implications

Alicia H. Munnell
Peter F. Drucker Professor, Boston College Carroll School of Management
Director, Center for Retirement Research at Boston College

EBRI-ERF Policy Forum #86
Washington, DC
December 12, 2019
Households’ desired pattern of retirement spending has implications for:

- retirement preparedness; and
- retirement income products.
Existing studies, which assume different spending patterns, offer conflicting assessments of preparedness.

Percentage of Households “At Risk:” NRRI vs. Optimal Savings

Notes: The age range for the NRRI results is 30-59; the age range for the optimal savings results is 51-61.

NRRI shows half of today’s households are at risk.

- NRRI uses target replacement rates, derived from a life-cycle model that smooths spending.
- Households have steady spending over their work lives.
- Retirees purchase an inflation-adjusted annuity and annuitize the proceeds of a reverse mortgage to maintain steady spending in retirement.

For the upcoming comparison, note that the NRRI has risen since 2004 (date used in Scholz & Seshadri) and risk declines by age.


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</thead>
<tbody>
<tr>
<td>All</td>
<td>43%</td>
<td>44%</td>
<td>53%</td>
<td>52%</td>
<td>50%</td>
</tr>
<tr>
<td>30-39</td>
<td>49</td>
<td>53</td>
<td>62</td>
<td>59</td>
<td>56</td>
</tr>
<tr>
<td>40-49</td>
<td>44</td>
<td>47</td>
<td>55</td>
<td>52</td>
<td>52</td>
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<tr>
<td>50-59</td>
<td>35</td>
<td>32</td>
<td>44</td>
<td>45</td>
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Note: The 2004 results reflect slightly different age groups: the youngest group is age 32-39 and the oldest is age 50-58.
Optimal savings model concludes that most Americans are “saving optimally.”

• This model assumes households want to equalize *marginal utility* of consumption over their lifetimes.

• When applied to the *Health and Retirement Study* (HRS), the model shows how much households should have accumulated by their 50s.

• Comparing these estimated amounts to actual accumulations S&S conclude that, in 2004, only 8 percent of households in their 50s had less than optimal wealth.

The main differences between the NRRI and the optimal savings model are:

• how households adjust their spending when their kids leave home; and

• how households spend their accumulated wealth in retirement.
These assumptions produce dramatically different spending paths.

Illustrative Spending Relative to Income by Age for Households with Children

Adjusting the NRRI for the differences in spending paths produces virtually the same share of households at risk.

**Percentage of Households in Their 50s at Risk, 2004**

- Original NRRI: 35%
- NRRI adjusted for optimal drawdown: 24%
- NRRI adjusted for optimal drawdown + children: 12%
- Scholz and Seshadri (2008): 8%

Notes: The age range for the NRRI results is 50-58; the age range for the optimal savings results is 51-61.

We looked at this question using HRS data linked to W-2 tax data from 1992-2010.

The analysis focused on households married throughout the period, with at least one parent eligible for a 401(k).

It also looked at younger households using the Survey of Income and Program Participation from 1992-2008.
The results showed a range of estimates for increased saving depending on the definition.

Percentage-Point Increase in 401(k) Saving for Households when Kids Leave

<table>
<thead>
<tr>
<th>Condition</th>
<th>HRS definition of kids leaving</th>
<th>SIPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kids not at home</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Kids not at home and not in school</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Kids not at home and not continuously in school</td>
<td>0.5%</td>
<td></td>
</tr>
<tr>
<td>Youngest is 23 and over</td>
<td></td>
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</tr>
</tbody>
</table>

But even the largest increase in saving was miniscule compared to theory.

Percentage-Point Increase in 401(k) Saving for Households when Kids Leave, Estimated and Theoretical

Note: The estimated increase is for the SIPP definition (youngest child is 23+), which is the highest estimate. 
Which assumptions are right? Do people want declining or steady spending in retirement?

Evidence for steady spending:

• financial planners’ framework;

• arguments for annuities (Gal’s presentation today);

• structure of state/local defined benefit plans; and

• introspection!
In addition, Zahra’s analysis indicates that most retiree spending goes for basic needs, which tend to be steady over time.

Share of Average Annual Household Spending on Major Components, by Age and Year

Notes: Numbers do not add up to 100 percent due to rounding.

But many studies show that spending declines as people age.

The key question is whether declining spending reflects declining income or a rational choice.

Conclusion

• Retirement spending is a crucial topic.

• Whether people want steady or declining spending determines how many are at risk.

• If people want declining spending, then need to rethink arguments for annuities – especially inflation-adjusted annuities.

• If people want steady spending, then the share of households at risk is large.
• But we have the tools to reduce the share at risk:
  o fix Social Security;
  o make 401(k)s fully automatic;
  o cover uncovered workers;
  o consider the house a retirement asset; and
  o inform people of the benefits of working longer.
This figure shows that retirement preparedness has been declining.

Income from defined benefit plans is falling rapidly due to shift to 401(k)s.

Defined Benefit Plan Wealth as a Share of Employer Plan Retirement Wealth at Ages 51-56 for Middle Quintile Households by HRS Entry Cohort, 2016 Dollars

Retirement wealth is actually declining.

Retirement Wealth at Ages 51-56 for Middle-Quintile Households, by Type of Wealth and Cohort, 2016 Dollars

SPENDING IN RETIREMENT: RECENT RESEARCH AND PRACTICAL APPROACHES

Moderated by:
James Veneruso, Vice President of DC Consulting, Callan

Zahra Ebrahimi, EBRI Research Associate

Gal Wettstein, Research Economist, Boston College Center for Retirement Research

Dr. Wei-Yin Hu, Vice President, Financial Engines
SPENDING PATTERNS OF RETIREES OVER TIME

POLICY FORUM #86

DECEMBER 12, 2019
INTRODUCTION

➢ As many Baby Boomers are approaching retirement, fewer of them are covered by DB plans that typically generate a regular income in retirement and increasingly have DC plans that build up benefits as an account balance.

➢ There has been an increasing demand for products and services that help clients in decumulation in retirement as well as accumulation when they need to know:
  • Whether they have enough money to retire.
  • How to convert their assets into an income stream that will cover their needs in retirement.

➢ To design such products, precise assumptions on spending and budgeting for different phases of retirement (pre-retirement, early retirement, and late retirement) are crucial.

➢ Following EBRI’s line of research on this issue, the current research focuses on spending patterns of the elderly as they transition into retirement as well as during retirement.
DATA AND DEMOGRAPHIC CHARACTERISTICS

- This study uses data from the Health and Retirement Study (HRS) 2004-2016 and the Consumption and Activities Mail Survey (CAMS) to examine the spending pattern of households with a financial representative in 50–64, 65–74, and 75-or-older age groups between 2005 and 2017, biennially.

- Households with a reference person 65 and older make up 60 percent of the sample.

- Average family size drops by age. The average household size for the overall sample was 2.15 members in 2016, with a high of 2.4 for the 50–64 age group and a low of 1.8 for the 75-or-older age group.

- College education has increased. In 2004, the percentage of households with a college-educated reference person was 25 percent, compared with 33 percent in 2016.

- In 2016, homeownership among older households was 76 percent for the 50–64 age group compared with 85 and 80 percent for the 65–74 and 75-and-older age groups, respectively.

- Mortgage-free home ownership increases by age. In 2016, 76 percent of homeowners 75-or-older had no mortgage debt compared with 60 and 40 percent of their counterparts in 65-74 and 50-64 age groups, respectively.
AVERAGE AND MEDIAN HOUSEHOLD TOTAL EXPENDITURES, BY AGE, 2005-2017, IN 2017 $S

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS)
AGE AND SPENDING CATEGORIES

➢ The average dollar amount spent on housing, food, transportation, clothing and entertainment goes down as households grow older.
➢ The average dollar amount spent on health care cost and gifts and contributions either goes up or stays the same during all survey years. However, if we take into account that family size reduces with age, per person average health care spending is larger for the 75-or-older age group compared with younger households.

Percentage Difference in the Average Dollar Amount Spent by 50-64 and 75-and-older Age Groups, 2017

- Housing 34%
- Food 32%
- Transportation 53%
- Clothing 21%
- Entertainment 34%
- Out of pocket health care cost 0%
- Gifts, contributions, etc. 6%
### Share of Average Annual Spending on Necessities in 2017, by Age and Income Distribution

<table>
<thead>
<tr>
<th></th>
<th>High Income</th>
<th>Low Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>75+</td>
<td>41%</td>
<td>49%</td>
</tr>
<tr>
<td>High income</td>
<td>44%</td>
<td>46%</td>
</tr>
<tr>
<td>Low Income</td>
<td>44%</td>
<td>47%</td>
</tr>
</tbody>
</table>

#### Breakdown by Necessity

- **Housing**
  - 75+ High Income: 10%
  - 75+ Low Income: 12%
  - 65-74 High Income: 9%
  - 65-74 Low Income: 13%
  - High Income: 9%
  - Low Income: 13%

- **Food**
  - 75+ High Income: 11%
  - 75+ Low Income: 10%
  - 65-74 High Income: 8%
  - 65-74 Low Income: 11%
  - High Income: 8%
  - Low Income: 8%

- **Health Care**
  - 75+ High Income: 10%
  - 75+ Low Income: 10%
  - 65-74 High Income: 12%
  - 65-74 Low Income: 12%
  - High Income: 14%
  - Low Income: 13%

- **Transportation**
  - 75+ High Income: 3%
  - 75+ Low Income: 3%
  - 65-74 High Income: 3%
  - 65-74 Low Income: 3%
  - High Income: 3%
  - Low Income: 3%

- **Clothing**
  - 75+ High Income: 3%
  - 75+ Low Income: 3%
  - 65-74 High Income: 3%
  - 65-74 Low Income: 3%
  - High Income: 3%
  - Low Income: 3%
MEDIAN TOTAL INCOME AND SPENDING TO INCOME RATIO, BY AGE, 2005-2017, IN 2017 $S

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS)
PERCENTAGE WITH A DEFICIT AND AVERAGE DEFICIT AMOUNT (CONDITIONAL ON HAVING A DEFICIT), BY AGE, 2005-2017

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS)
PERCENTAGE WITH A DEFICIT, BY AGE AND INCOME LEVEL, 2005-2017

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS)
MEDIAN BUDGET DEFICIT TO NON-HOUSING WEALTH RATIO CONDITIONAL ON HAVING A DEFICIT, BY AGE AND INCOME LEVEL, 2005-2017, IN 2017 $S

Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS)
MAIN TAKEAWAYS

✔ Average annual total spending is lower for households in older age groups compared with those in younger age groups.

✔ On average, households spent less on housing, food, transportation, entertainment, and clothing as they grew older. Taking into account the reduction in family size, the average dollar amount spent on health care and gifts and contributions, is higher for older age groups.

✔ Housing is the largest spending category for every age group.

✔ The average share of budget allocated to health care costs and gifts and contributions, is higher for older age groups.

✔ On average, low-income households, spend larger share of their expenses on necessities compared with those with a high income.

✔ Median total income was lower for households in older age groups. In addition, they had higher median spending-to-income ratios than younger age groups.

✔ The fraction of households who spent more than their income increased with age. However, the average amount overspent was lower for older age groups compared with younger age groups.

✔ We show some evidences that suggest, households with low incomes are more likely to spend down their liquid assets to cover their expenses as they grow older.
How to Best Annuitize Defined Contribution Assets

Alicia H. Munnell, Gal Wettstein, and Wenliang Hou
Center for Retirement Research at Boston College

EBRI-ERF Policy Forum #86
Washington, DC
December 12, 2019
Annuities provide more income and security than individuals can attain on their own.

Income Produced from $100,000 by Drawdown Strategy

Notes: The annuity amount is from a quote as of 7/1/19 for a 65-year-old male in Massachusetts. The other calculations assume a 3-percent nominal annual return, based on the yield on AAA corporate bonds with 20-year maturities in August 2019.

Sources: The website “immediateannuities.com;” and authors’ calculations.
But few people annuitize. Potential explanations are:

- bequest motives;
- cost of annuities, due to adverse selection and loading;
- crowding out by Social Security, family members, and self insurance;
- precautionary saving; and
- irrational resistance.
Embedding annuities within DC plans may address some barriers.

• But only 7-10 percent of employers offer such an option.

• The three leading examples of embedded annuities are:
  o TIAA’s Traditional Annuity;
  o United Technologies Corporation’s Lifetime Income Strategy; and
  o Guaranteed Withdrawal Lifetime Benefit products.
An alternative to commercial annuities is additional Social Security income.

- Thaler and others have proposed buying an annuity directly from the Social Security Administration (SSA).

- SS income has advantages over private annuities, as it is:
  - guaranteed by the government;
  - inflation adjusted; and
  - its price would not include marketing costs or profits.

- This proposal is straightforward, but involves:
  - legislation;
  - additional administrative staff at SSA; and
  - transaction costs, as people must actively buy the product.
Another way to get additional annuity income from SS is by delaying claiming.

• Benefits claimed at age 70 are 76 percent higher than at 62.

• Households can tap defined contribution (DC) wealth to “bridge” between retirement and postponed claiming.

• The bridge would pay out the individual’s Primary Insurance Amount every month, between ages 60 and 69 or until the assets allocated to the bridge run out.

• The bridge can be adopted by plan sponsors now – maybe even as a default – without legislation.
This paper compares the Social Security bridge to immediate and deferred annuities.

• The analysis assumes that immediate and deferred annuities are bought at 65, with the deferred payouts beginning at 85.

• 20 or 40 percent of assets are allocated to lifetime income for median-wealth households.
  o For higher-wealth households, less wealth is required to exhaust the possibility of delayed claiming.

• Individuals consume following the RMD rule of thumb.
  o For deferred annuities, remaining assets are steadily consumed until exhausted at age 85.
The analysis computes the “equivalent wealth” of each option relative to no annuitization.

- Each option is assigned the amount of starting wealth required to attain the same utility as when no wealth is annuitized.
- This dollar amount is then normalized by starting wealth, so that the equivalent wealth of no annuitization is 1.
- The better the option, the lower its equivalent wealth (i.e., less wealth is needed to attain an equivalent level of utility).
The model also accounts for several risks.

- Market returns and variance are calibrated to historical data.
  - Assets are allocated to equities and bonds following a Vanguard TDF.

- Health shocks occur with probability 0.1, at a magnitude corresponding to the 90th percentile of health spending by age.
  - Shocks are paid out of assets; when they are exhausted, out of income.
  - Consumption has a floor of $10,000 (Medicaid income test).

- Households are assumed to retire at 65, with mortality from SSA tables.
In utility terms, the “bridge” is the best option for median-wealth households.

Equivalent Wealth for Single Households of Median Wealth, by Strategy

For wealthier households, the bridge and deferred annuities are similarly beneficial.

Equivalent Wealth for Single Households of 75th Percentile Wealth, by Strategy

Even for the wealthiest, the bridge is a component of the best-performing portfolio.

Equivalent Wealth for Single Households of 90th Percentile Wealth, by Strategy

Drawdown of retirement assets is a challenge that is only really beginning.

- The first cohorts completely dependent on DCs are still early in their retirement.

- Lifetime income products can provide both insurance and guidance on how quickly to consume.

- The Social Security bridge option has many advantages over commercial annuity products.
  - The “bridge” may be the best option for median households, and a promising component of the drawdown portfolio for wealthier ones.
Thank you!

https://crr.bc.edu  @RetirementRsrch
Retirement Income: Research in Practice
Designing an income solution

- What do “not running out of money” or “safe income” mean?
  - Annuitize everything?
  - Why do managed payout funds not satisfy?

- Use of lifetime income guarantee
  - Hu and Scott [2007]: “Behavioral Obstacles in the Annuity Market”
  - Scott [2008]: “The Longevity Annuity: An Annuity for Everyone?”

- Desire for liquidity
- Desire for potential upside
- Desire for bequest

All validated with participant research
Income+ design led by research

Managing for income

- Protect from market, rate changes
- Potential growth opportunity
- Flexible cash flows
- Payouts for life¹

For illustrative purposes only.

¹ Lifetime income guarantee requires out-of-plan annuity purchase. Issuer minimum req
Social Security

- **When to claim?**
  - No simple rule of thumb; most households leaving a lot on the table
  - BBA 2015 rule changes

- **Proprietary Social Security optimization engine**
  - Personalized recommendations for claiming strategies
  - Singles, couples with different ages & earned benefits
  - Explicitly model longevity uncertainty
  - Report improvement in expected lifetime benefits
What’s next?

▪ What decisions do people need the most help with?
▪ What are the biggest mistakes retirees make?
Frontier research (1)

- **Pension distribution choice**
  - Bronshtein, Scott, Shoven, Slavov [2016]: “Leaving Big Money on the Table: Arbitrage Opportunities in Delaying Social Security”

- **Is optimal retirement spending flat?**
  - Ebrahimi [2019]: “Spending Patterns of Older Households” and “How Do Retirees’ Spending Patterns Change Over Time?”
  - Scott, Shoven, Slavov, Watson [in progress]: “Can Low Retirement Saving be Rationalized?”

- **Optimal portfolios for taxable and tax-advantaged accounts**

- **Tax-efficient drawdowns**
  - Sumutka, Sumutka, Coopersmith [2012]: "Tax-Efficient Retirement Withdrawal Planning Using a Comprehensive Tax Model”
Optimal long-term care planning

- Brown and Finkelstein [2007]: “Why is the Market for Long-Term Care Insurance So Small?”
- Davidoff [2008]: “Illiquid Housing as Self-Insurance: The Case of Long-Term Care”
- Zhou-Richter, Browne, Grundl [2010]: “Don’t They Care? Or, Are They Just Unaware? Risk Perception and the Demand for Long-Term Care Insurance”
- Ameriks, Briggs, Caplin, Shapiro, Tonetti [2018]: “The Long-Term-Care Insurance Puzzle: Modeling and Measurement”
WASHINGTON UPDATE

Chris Gaston, Senior Policy Director, Davis & Harman
The I-Word......
Impeachment: 101

The House votes on the selected impeachment case. At least 218 out of 435 votes are needed to approve any of the articles of impeachment presented by the Judiciary Committee.

If the House votes to impeach the president, the Senate holds an impeachment trial.

After the trial, the Senate votes on impeachment.
2020 is only 327 Days Away!

- Expand Social Security benefits; raise payroll taxes
- Repeal all or most of the 2017 tax reform law
- Support for financial transaction tax
- Limited set of proposals on private retirement savings
Sen. Warren plan to pay for Medicare for All

- Employer Medicare contribution ($8.8 trillion)
- Additional take-home pay subject to taxes ($1.4 trillion)
- Targeted taxes on financial firms ($900 billion)
  - FTT ($777 billion) & “systemic risk fee” $100 billion
- Taxes on large corporations ($2.9 trillion)
- Taxes on wealthy individuals ($3 trillion)
- Bolster tax enforcement ($2.3 trillion)
- Immigration overhaul ($400 billion):
- Eliminate OCO funding ($800 billion)
Mayor Pete’s Plans for Retirement

**PETE’S POLICIES WILL:**

- **PROTECT SOCIAL SECURITY FOR THE NEXT GENERATION WITHOUT CUTTING BENEFITS**
- **REQUIRE SOCIAL SECURITY TO RECOGNIZE CAREGIVING AS WORK**
- **INCREASE SOCIAL SECURITY BENEFITS TO KEEP VULNERABLE SENIORS OUT OF POVERTY**

**PETE’S PLAN WILL:**

- **PUBLIC OPTION 401(K)**
  Create a portable plan with low fees and smart investment options so workers, not financial institutions, make extra money on hard-earned savings.

- **WEATHER FINANCIAL EMERGENCIES**
  Help American families with a Rainy Day Account within the Public Option 401(k).

- **62 MILLION WORKERS**
  Expand retirement savings among the locked out of tax-preferred retirement savings.
What candidate Trump said about retirement savings policy during the campaign:

1. Nothing.
Legislative Update and Outlook
Previously on SECURE TV....

**TAX CHANGES TO ENCOURAGE RETIREMENT SAVINGS**

- **ON PASSAGE**
  - HR 1994
  - YEAS: 230
  - NAYS: 187
  - PRES: 5
  - NV: 7
  - DEMOCRATIC: 417
  - REPUBLICAN: 3
  - INDEPENDENT: 12
  - TOTALS: 417

**TIME REMAINING:** 0:00
What is in the SECURE Act

Approved 417-3 by the House on May 23rd

- Encouraging small businesses to have a 401(k) plan
  - “Open” multiple employer plans
  - Increased start-up business credits
  - New tax credit for using auto features

- Encouraging lifetime income products
  - Fiduciary protection for employers who select an annuity provider to offer lifetime income products
  - Lifetime income disclosure on 401(k) statements
  - Enhanced portability of in-plan annuities

- Encouraging and preserving savings
  - Increase RMD age to 72
  - Allow IRA contributions after age 70½
  - Increase auto escalation cap to 15%
  - Coverage for long-term part-time employees
  - 529 plan expansion
Status of Securing the SECURE Act

LESSONS IN MAINTAINING THE STATUS QUO

with

G. Monty Burns
What Changes and When

- **LIDA disclosure:** 12 months after DOL regs
- **529 changes:** 2019 distributions and beyond
- **Annuity safe harbor:** enactment date

**Other**

**Years on or After 2020**

- 72 RMD age
- Stretch IRA
- Baby Withdrawals
- IRA $$ beyond 70 ½
- Increased $$ credits for starting a plan
- New tax credit for auto features
- Portability of lifetime income products
- Increased auto escalation cap

- **Open MEPs**
- **Long-Term Part-Time** (2024 to join plan)

**2021**
Emerging Leaders on Retirement (Again)

Rob Portman (R-OH)  Ben Cardin (D-MD)
The Retirement Security and Savings Act

Introduced May 14, 2019

Lifetime Income

➢ QLAC Changes
➢ RMD Relief for Partial Annuitzation
➢ RMD Exemption for Accounts Under 100K
➢ RMD Age to 75 in 2030

Savings Incentives

➢ Credit for Plans that Adopt Re-Enrollment
➢ Enhanced Start-Up Credit for Small Businesses
➢ Expanded Saver’s Credit
➢ Student Loan Matching

Plan Administration

➢ Consolidated Disclosures
➢ Expanded Self-Correction
➢ Eliminate Notices for Unenrolled Participants
➢ Allow 403(b) Plans to Invest in CITs
Retirement Plan Simplification and Enhancement Act

Introduced December 1, 2017

Lifetime Income

- QLAC Changes
- RMD Relief for Partial Annuitization
- RMD Exemption for Accounts Under 250K
- RMD Age to 73 in 2029

Savings Incentives

- Enhanced Start-Up Credit for Small Businesses
- Portability of Lifetime Income
- Post 70 ½ IRA contributions

Plan Administration

- Long-Term Part-Time Coverage
- Expanded Self-Correction
- Increase Auto Escalation Cap
- Recoupment of Overpayments
What does 2.0 Look Like?

Portman Cardin

Other Ideas Secure Act 2.0 Neal Bills
Regulatory Update and Outlook
Proposed safe harbor is optional

21 questions on ERISA disclosures

Comments were due November 22, 2019

More than 250 Comments were received
DOL E-Delivery Safe Harbor

**Covered Individuals**
- Retirement plans only
- Must have email address or smartphone number
- Procedures for email accuracy

**Notice and Access**
1. Initial Paper Notice
2. Notice of availability each time (with exception)
3. Posted online until superseded

**Right to Paper**
- Participant right to:
  - individual documents
  - “some or all” documents
DOL Fiduciary Re-Re-Proposal

- Targeted for end of 2019
- Implications of Secretary Scalia
- State fiduciary developments
Short (Shorter)-term Outlook
Time is short...what can get done?

- 5 legislative days to keep the government open
- 5 legislative days left in 2019
“Since Trump’s inauguration, a Washington Post analysis shows, nearly 40 percent of the 241 Republicans who were in office in January 2017 are gone or leaving because of election losses, retirements including former House speaker Paul D. Ryan (Wis.)…”
Trump Administration Turnover

The president's 'A Team': Turnover from year to year

Percent turnover

Year 1 | Year 2 | Year 3 | Year 4 | Total turnover

Reagan (80s) | H.W. Bush (80s) | Clinton (90s) | W. Bush (00s) | Obama (00s) | Trump (10s)

Presidential administration
QUESTIONS?

Chris Gaston  
Senior Policy Director  
Davis & Harman LLP  
202.662.2291  
cgaston@davis-harman.com
NETWORKING BREAK
PLEASE RETURN BY 11:15 A.M.
PRICE AND QUALITY TRANSPARENCY AND OTHER INITIATIVES TO ADDRESS HIGH COST CLAIMANTS

Moderated by:
Steve Wojcik, Vice President, Public Policy, National Business Group on Health

Paul Fronstin, Director, Health Research & Education Program, EBRI

Marybeth Gray, Senior Vice President of Health & Welfare Consulting Trion Consulting, a Marsh & McLennan Agency, LLC

Adam “Buck” Buckalew, Deputy Health Policy Director, U.S. Senate Committee on Health, Education, Labor and Pensions

Martin Ahrens, Senior Director, I&FS, Health Management Service, National Rural Electric Cooperative Association
Price and Quality Transparency and Other Initiatives to Address High Cost Claimants

Paul Fronstin, Ph.D.
Employee Benefit Research Institute
December 12, 2019
Percentage of Persons With Private Health Insurance Under Age 65 Enrolled in HDHP or CDHP, 2007–2018

Source: Figure 11 in https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201811.pdf and Figure 3 in https://www.cdc.gov/nchs/data/nhis/earlyrelease/insur201306.pdf
Data

• Truven Marketscan Database
• Medical and pharmacy claims data on 14-16 million people with employment-based health benefits in any given year between 2013-2017
• 5.8 million individuals with employment-based health benefits trackable over 2013-2017

• Limitations of using continuously enrolled sample
  • Missing many $1 million babies
  • Missing other potentially high cost claimants who drop from sample because they become disabled, eligible for Medicare or pass away
## Distribution of Health Spending, Among Individuals with Employment-Based Health Coverage, Continuous Enrollment in 2017

<table>
<thead>
<tr>
<th>Percentage of Enrollees</th>
<th>Percentage of Spending</th>
<th>Median Spending Per Person</th>
<th>Mean Spending Per Person</th>
<th>Minimum Spending Per Person</th>
<th>Percent Reaching OOP Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>28%</td>
<td>$120,500</td>
<td>$168,500</td>
<td>$80,000</td>
<td>70-80%</td>
</tr>
<tr>
<td>5%</td>
<td>56%</td>
<td>$41,500</td>
<td>$65,315</td>
<td>$23,000</td>
<td>60-70%</td>
</tr>
<tr>
<td>10%</td>
<td>70%</td>
<td>$23,500</td>
<td>$41,300</td>
<td>$12,000</td>
<td>50-60%</td>
</tr>
<tr>
<td>20%</td>
<td>84%</td>
<td>$12,700</td>
<td>$24,900</td>
<td>$5,400</td>
<td>30-40%</td>
</tr>
</tbody>
</table>

Source: EBRI analysis of Truven Health Analytics MarketScan® Commercial Claims and Encounters Databases.
Potential Implications

• The highest users might not care about price transparency. They only care about the cost to them, which is often going to be nothing.

• The highest users should care about quality transparency.

• The highest users might use price transparency tools before they become high users.

• Price transparency may affect provider pricing because of its availability, rather than through consumer engagement.

• NBER paper from 2015 “What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics” found no evidence of consumers learning to price shop after 2 years in an HDHP.

• It may take more than 2 years to change a culture once appropriate price transparency tools are available.
Employee Benefit Research Institute
December 2019 Policy Forum #86

Marybeth Gray
Sr VP Health & Welfare Consulting
Trion a Marsh & McLennan Agency

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MBGrayHealthcare.com
610-207-8985

www.MBGrayHealthcare.com

December 12, 2019
Lets Look Ahead
Our Current Marketplace
Imagine 10 years ago saying:

• You’ll make your baby’s pictures public to the world

• You’ll stay in a stranger’s apartment instead of a hotel

• You’ll trust a robot to manage your money

• You’ll never buy another music album

• You’ll get out of a taxi without paying the driver
# Demographic Analysis Dashboard

## Understanding Your Generational Workforce

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Formative Experiences</strong></td>
<td>• WWII</td>
<td>• Cold War</td>
<td>• End of cold war</td>
<td>• 9/11 terrorist attacks</td>
<td>• Global warming</td>
</tr>
<tr>
<td></td>
<td>• Fixed gender roles</td>
<td>• Vietnam</td>
<td>• Fall of Berlin Wall</td>
<td>• Raised by “helicopter</td>
<td>• Mobile devices</td>
</tr>
<tr>
<td></td>
<td>• Nuclear families</td>
<td>• Watergate</td>
<td>• First PC</td>
<td>parents”</td>
<td>• Cloud computing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Woodstock</td>
<td>• Latch-key kids</td>
<td>• Reality TV</td>
<td></td>
</tr>
<tr>
<td><strong>Signature product</strong></td>
<td>Automobile</td>
<td>Television</td>
<td>Personal computer</td>
<td>Tablet/Smartphone</td>
<td>Google glass, 3D printing</td>
</tr>
<tr>
<td><strong>Aspiration</strong></td>
<td>Home ownership</td>
<td>Job security</td>
<td>Work-life balance</td>
<td>Freedom and flexibility</td>
<td>Security and stability</td>
</tr>
<tr>
<td><strong>Attitude towards career</strong></td>
<td>Jobs are for life; loyalty;</td>
<td>Live to work; collaborative;</td>
<td>Work to live; distrustful;</td>
<td>Work/life blending; hard</td>
<td>TBD</td>
</tr>
<tr>
<td></td>
<td>respect for authority</td>
<td>driven-achievement oriented</td>
<td>independent; skill-oriented</td>
<td>working; seek recognition</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>and feedback; career and</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>community oriented</td>
<td></td>
</tr>
<tr>
<td><strong>Communication media</strong></td>
<td>Formal letter</td>
<td>Telephone</td>
<td>Email and text message</td>
<td>Text or social media</td>
<td>Hand-held devices</td>
</tr>
<tr>
<td><strong>Benefit Preferences</strong></td>
<td>Not Surveyed</td>
<td>Health care: expanded health care; better 401k matches; better investment choices</td>
<td>Health care: better 401k matches; flexible work schedules; more vacation</td>
<td>Health care: flexible work schedules; reimbursements for education and tuition; more vacation; wellness</td>
<td>TBD</td>
</tr>
<tr>
<td><strong>Sample Company workforce in each generation</strong></td>
<td>3 0.4%</td>
<td>243 35.0%</td>
<td>316 45.5%</td>
<td>131 18.9%</td>
<td>1 0.1%</td>
</tr>
</tbody>
</table>

November 4, 2019

The health innovation issue: a new approach to suicide prevention, robotic caregivers, a plan to combat the high price of insulin, and more.
Medicare for all?

What would Medicare for all cost?

1.3 Trillion Dollars

The annual budget of the Centers for Medicare and Medicaid Services, accounting for almost one-third of all federal spending, of which spending on drugs is the fastest-growing portion, according to administrator SEEMA VERMA

$20.5 Trillion

Overview of the Recent Price Transparency Regulations Released Nov. 15

<table>
<thead>
<tr>
<th>Relevant regulatory rule</th>
<th>HOSPITALS</th>
<th>HEALTH INSURERS AND GROUP PLANS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rule status</td>
<td>OPPS Price Transparency Final Rule (CMS-1717-F2)</td>
<td>Transparency in Coverage Proposed Rule (CMS-9915-P)</td>
</tr>
<tr>
<td>Enactment date</td>
<td>January 1, 2021 (official)</td>
<td>January 1, 2021 (target)</td>
</tr>
</tbody>
</table>
| Summary provisions       | All hospitals must publish:  
  • Comprehensive “standard charges” file covering all services offered  
    - Gross charges  
    - Discounted cash prices for self-pay  
    - Payer-specific negotiated charges  
    - De-identified min. & max. negotiated charges  
  • **Consumer friendly price tool** for searching negotiated, payer-specific rates for 300 services, 70 of which CMS has specified and 230 others the hospital may choose | Health insurers and group health plans must provide:  
  • **Internet-based price transparency tool** for consumers to find personalized out-of-pocket cost information for all covered services in advance  
  • **Public website with negotiated rates** for in-network providers and historical payments to out-of-network providers in a standardized format |
| Exceptions allowed       | Federally owned/operated sites that don’t serve the public or negotiate rates (VA, DoD, Indian Health Service facilities) | Plans grandfathered under ACA (i.e., in existence as of March 23, 2010; does not apply to “grandmothered” plans) |
| Penalty for non-compliance | $300/day (not automatic; requires a complaint filed with CMS, which may be followed by a warning notice from CMS, and finally a fine) | TBD – Not specified |

Source: Oliver Wyman analysis

#OWHealth


health.oliverwyman.com
The Front Door to Accessing Healthcare is Changing!
Market Disruption
Major Movement is the New Normal

UnitedHealth Group buys DaVita’s Physician Network for $4.9B

CVS purchases Aetna for $77B, deal closed 11/28/18

Amazon, Berkshire Hathaway, JP Morgan Chase form coalition for their own employees

Cigna announces purchase of Express Scripts for $70B, deal closed 12/20/18

Amazon acquires online pharmacy PillPack who is licensed in 49 states

Walmart and Humana in talks to expand current onsite clinic relationship into other healthcare offerings

12/3/17
12/6/17
1/30/18
3/8/18
6/28/18
ongoing
GeneSight® Psychotropic Test

Genetics affects our response to drugs.

Effective, safe Rx tailored to the patient’s individual genomic profile.

Improves drug safety.

Decrease rate of adverse effects (a leading cause of death/morbidity).

Minimizes trial and error prescribing.

Savings in pharmacy spending, healthcare utilization, disability claims, etc.

FDA Approves Cystic Fibrosis Drug Applicable For 90 Percent Of Patients
Novartis gets FDA approval for world’s most expensive drug

By Imelda Cotton - May 28, 2019

The FDA has approved Novartis’ Zolgensma drug, which carries a hefty US$2.125m pricetag.

A rare genetic disorder which limits an infant’s lifespan to just 24 months could be cured with a groundbreaking new gene therapy approved by the US Food and Drug Administration but at over US$2 million per dose, it could well be out of the financial reach of families who need it the most.
Zolgensma, which costs $2.1 million per patient…

It brought in $160 million in the three months to Sept. 30, its first full quarter of sales.

That was well above analyst expectations of around $98 million.

Some Large Employers are revisiting the need for stop loss…
Swift Gene-Editing Method May Revolutionize Treatments for Cancer and Infectious Diseases

By GINA KOLATA  JULY 11, 2018

Scientists report that they have discovered a way to tweak genes in the body’s immune cells by using electrical fields.
Employers Held Health Benefit Cost Growth To 3.6% In 2018 – But That’s Still Above CPI

Average Per-employee Cost Rises Above $13,000 in 2019

Sample Client’s Projected 2019 Per Employee Cost is $12,985

Last month - NEWS

The Kaiser Family Foundation published its annual survey findings on employer-sponsored health plans, which was quickly covered by The Wall Street Journal, The New York Times and Bloomberg for good reason:

The annual cost of a family plan has now surpassed $20,000 While this amount takes into account both employer and employee costs, Kaiser found that the employee cost share is increasing at a faster rate, calling the affordability of health insurance into question.
Top Three Most Important Benefits When Considering a Job Decision

Health benefits consistently top the list of benefits employees feel are most important in decision to stay in a job or pick a new one. Would ICHRAs be enough?


73% of employers increased benefit offerings in the last 12 months to retain employees.
Importance of employers providing programs that address well-being dimensions

Employees who want physical health support
- No significant difference between groups.
- Retail employees are least interested.

Employees who want social health support
- Generally have higher incomes.
- College education.
- Government sector employees are least interested.
- 55-64 are least interested.

Employees who want financial health support
- Work from home.
- Health care employees are most interested.

Employees who want community health support
- College education.
- 25-34 are most interested.
- Generally <55 years old.
- Females.

Employees who want mental health support

ELECTRIC CO-OPS: Who We Are
Marty Ahrens  
Sr. Director, Health Management Services, NRECA
What is an electric co-op?

• Private, independent electric utility business
• Owned by the consumer members they serve
• Consumers share the responsibility for success or failure of a co-op
• Established to provide at-cost electric service
• Profits are either reinvested for infrastructure or the members receive money back based on the amount of electricity they have used during the allocation
• Many co-ops are involved in community development and revitalization projects
Who do electric co-ops serve?

- 42 million people in 47 states, or 12% of the U.S. population
- Over 90% of America’s farms
- 19 million homes, businesses, schools, churches, farms, irrigation systems and other establishments
What does NRECA do?

• Lobby Congress
  – Energy and Environmental Policy
  – Government Relations
• Energy and environmental research & technology
• International division
• Education and consulting
• Training and conferences
• Insurance, employee benefits and financial services
• Group Benefits Trust / VEBA / 501c9
• Outstanding customer service
I&FS Value Proposition

Ensure member co-ops, regardless of their size or location, have access to comprehensive, flexible and affordable benefit programs for their employees and dependents.
Employee Benefit Plans

- NRECA is fully self-insured; money paid to the Group Benefits Trust for benefits is used to pay claims
- A variety of insurance plans are offered to co-ops who, in turn, offer plan choices to their employees
  - Medical, dental, vision
  - Prescription drug benefit
  - Life
  - Disability
  - Pension
  - 401(k)
  - Investments
## Population Health Management

<table>
<thead>
<tr>
<th>Well-being</th>
<th>At Risk &amp; Diagnostic</th>
<th>Chronic Conditions</th>
<th>Critical Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power Wellness</strong></td>
<td><strong>WebMD MyHealth Manager</strong></td>
<td><strong>MyHealth Coaches</strong></td>
<td><strong>Medical Management</strong></td>
</tr>
<tr>
<td>• SMART Program</td>
<td>• MyHealth Survey</td>
<td>• Chronic Condition Management</td>
<td>• Case Management</td>
</tr>
<tr>
<td>• Eat SMART</td>
<td>• MyHealth Assistants (online coaching)</td>
<td>• Decision Support</td>
<td>• Utilization Management</td>
</tr>
<tr>
<td>• Move SMART</td>
<td>• Summit Health/Biometric Screening</td>
<td>• Lifestyle Coaching Programs</td>
<td>• Care Coordination</td>
</tr>
<tr>
<td>• Wellness Discounts</td>
<td>• Rewards for Life</td>
<td>• Tobacco Cessation</td>
<td>• SHARE</td>
</tr>
<tr>
<td>• Fitbit Program</td>
<td>• Challenges</td>
<td>• Weight Loss</td>
<td>• Centers of Excellence</td>
</tr>
<tr>
<td>• Discounts</td>
<td></td>
<td>• Diabetes Program</td>
<td>• First Steps Maternity</td>
</tr>
<tr>
<td>• Dashboard</td>
<td></td>
<td>• Healthy Back Program</td>
<td>• Life Strategy Counseling</td>
</tr>
<tr>
<td>• Consulting</td>
<td></td>
<td></td>
<td>• Disability Management</td>
</tr>
<tr>
<td>• Prevention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Wellness Champion</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Health Care:** Medical & Rx, Dental, Vision, Provider Networks, Health Navigation, Transparency, Incentive & Value Based Plans, Tele-medicine

**Vendor Integration, Risk Stratification & Analytics, ACA**
Percent of Medical Plan Co-ops And Subscribers in High Deductible Health Plans, 2010 - 2019

- Co-ops in HD
- Subscribers in HD
<table>
<thead>
<tr>
<th>Percentage of Enrollees</th>
<th>Percentage of Spending</th>
<th>Median Spending Per Person</th>
<th>Mean Spending Per Person</th>
<th>Minimum Spending Per Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>1%</td>
<td>31%</td>
<td>$129,500</td>
<td>$185,000</td>
<td>$87,600</td>
</tr>
<tr>
<td>5%</td>
<td>61%</td>
<td>$39,600</td>
<td>$44,300</td>
<td>$24,500</td>
</tr>
<tr>
<td>10%</td>
<td>75%</td>
<td>$16,500</td>
<td>$17,000</td>
<td>$11,900</td>
</tr>
<tr>
<td>20%</td>
<td>88%</td>
<td>$7,300</td>
<td>$7,600</td>
<td>$4,800</td>
</tr>
</tbody>
</table>
Program Evaluations

» Health Care Navigation / Transparency Services

» Musculoskeletal, Spine and Joint: Centers of Excellence

» Access to Behavioral Health via Telemedicine

» Pharmacy Programs
  » PBM Evaluation
  » Specialty Drugs
  » Member Education
MOTIVATIONS AND MEASUREMENT OF FINANCIAL WELLNESS INITIATIVES

Jack VanDerhei, EBRI
Director of Research
Motivations and Measurement of Financial Wellness Initiatives

EBRI-ERF POLICY FORUM #86

December 12, 2019

Jack VanDerhei, EBRI Research Director
vanderhei@ebri.org
Outline

• Methodology
• Motivations and Measurements of FW Initiatives
  • Top Reasons for Offering Financial Wellness Initiatives
  • Top Considerations in the Decision to Offer Financial Wellness Benefits
  • Steps Taken to Understand Employees’ Financial Wellness Needs
    • Firms who have created a financial well-being score or metric
    • Top Factors in Measuring Financial Wellness Initiatives’ Success
    • Top Challenges in Offering Financial Wellness Benefits
• Phase Two of the EBRI FWRC Research
• Demographics (Appendix)
Methodology: 2019 Employer Financial Well-Being Survey

- Information for this report was collected from 15-minute online survey with 248 full-time benefits decision-makers conducted in June 2019.
  - All respondents worked full-time at companies with at least 500 employees that were at least interested in offering financial wellness programs.
  - An additional 27 respondents who worked at companies with 250 to 499 employees were also collected but are not included in this report.
- Respondents were required to have at least moderate influence on their company’s employee benefits program and selection of financial wellness offerings.
  - Additionally, respondents were required to hold an executive, officer, or manager position in the areas of human resources, compensation, or finance.
- The survey was administered by Mathew Greenwald & Associates.
- Additional information can be found at: Lori Lucas and Jack VanDerhei, “2019 Employer Approaches to Financial Wellbeing Solutions,” EBRI Issue Brief, no. 491 (Employee Benefit Research Institute, September 26, 2019).
MOTIVATIONS AND MEASUREMENT OF FINANCIAL WELLNESS INITIATIVES
Top Reasons for Offering Financial Wellness Initiatives by Whether Retirement Preparation is a Top Concern (ranked by absolute value of the difference in percentages)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Retirement preparation is a top concern</th>
<th>Retirement preparation is NOT a top concern</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved employee use of existing benefits (such as higher contributions to the 401(k) plan)</td>
<td>45%</td>
<td>28%</td>
<td>17%</td>
</tr>
<tr>
<td>Improved employee retention (e.g. lower workforce turnover)</td>
<td>27%</td>
<td>41%</td>
<td>14%</td>
</tr>
<tr>
<td>Reduced employee financial stress</td>
<td>48%</td>
<td>39%</td>
<td>9%</td>
</tr>
<tr>
<td>Increased employee productivity</td>
<td>24%</td>
<td>31%</td>
<td>7%</td>
</tr>
<tr>
<td>Reduced employee absenteeism</td>
<td>10%</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>Realization of the company’s commitment to community service</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Improved overall worker satisfaction</td>
<td>5%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Not sure</td>
<td>0%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Required as part of union agreement</td>
<td>3%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Improved workforce management for retirement</td>
<td>24%</td>
<td>25%</td>
<td>1%</td>
</tr>
<tr>
<td>Reduced healthcare costs</td>
<td>21%</td>
<td>21%</td>
<td>0%</td>
</tr>
<tr>
<td>Improved employee recruitment</td>
<td>22%</td>
<td>22%</td>
<td>0%</td>
</tr>
<tr>
<td>Differentiator from our competitors</td>
<td>13%</td>
<td>13%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Q33. What are or would be your top 3 reasons for offering financial wellness initiatives to employees? (n=248)
Further Analysis on Employer Motivators

• Reducing employee financial stress was actually much more important for those who were still only interested in offering financial well-being programs but hadn’t done it.
  • 58% of those indicated that was one of their major motivators.
  • For those who were actually offering well-being initiatives already, it was only 32%.

• Differentiation from competitors was much more important for those who were actually currently offering a financial well-being initiative, 19% of that group chose that.
  • For the other two groups, it was only 6 or 8%.
When deciding to offer financial wellness benefits, cost to both the employer and employees and employee interest are the top considerations.

Top Considerations in the Decision to Offer Financial Wellness Benefits

- Cost to employer
- Interest among employees
- Cost to employee
- Value proposition to employees
- Impact on employees' retirement preparedness
- Impact on employee productivity
- Value proposition to the company
- Whether the program's success can be measured
- Buy-in by upper management
- Legal and/or regulatory hurdles
- Whether staff is available to promote financial wellness initiatives
- Whether employees seem to have financial problems

Considering the cost to employees and the impact on employees’ retirement preparedness are significantly more likely in 2019 than in 2018.

Q34. What were or will be your top 3 considerations used to determine whether to offer financial wellness benefits to your employees? Please select your top 3 reasons. (n=248)
Examining employee data and employee surveys are the most common steps taken to understand employees’ needs. Few firms are using specific financial wellness metrics or assessments.

<table>
<thead>
<tr>
<th>Steps Taken to Understand Employees' Financial Wellness Needs</th>
<th>Has taken</th>
<th>Plans to take</th>
<th>Not planning to take</th>
<th>Not sure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examined existing employee benefit/retirement plan data</td>
<td>62%</td>
<td>19%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td>Examined health-related data</td>
<td>53%</td>
<td>19%</td>
<td>22%</td>
<td>6%</td>
</tr>
<tr>
<td>Surveyed employees</td>
<td>52%</td>
<td>29%</td>
<td>15%</td>
<td>4%</td>
</tr>
<tr>
<td>Analyzed other quantitative employee data</td>
<td>40%</td>
<td>29%</td>
<td>21%</td>
<td>10%</td>
</tr>
<tr>
<td>Held employee focus groups</td>
<td>38%</td>
<td>28%</td>
<td>28%</td>
<td>7%</td>
</tr>
<tr>
<td>Conducted a financial wellness needs assessment</td>
<td>32%</td>
<td>31%</td>
<td>28%</td>
<td>8%</td>
</tr>
<tr>
<td>Created a financial well-being score or metric</td>
<td>23%</td>
<td>22%</td>
<td>41%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Q31. What steps has your company taken or does it plan to take to understand your employees' financial wellness needs? (n=248)
Firms who have created a financial well-being score or metric are more likely to currently offer financial wellness benefits. They are also more likely to have more offerings in a holistic approach.

<table>
<thead>
<tr>
<th>Created a Financial Well-Being Score or Metric</th>
<th>Not Planning on Creating a Financial Well-Being Score or Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company’s current approach to financial wellness initiatives</td>
<td>68% Currently offer 28% Actively implementing 4% Interested in</td>
</tr>
<tr>
<td>How financial wellness initiative is offered</td>
<td>56% Holistic 26% Periodic/Ad hoc 7% Pilot 11% One-time initiative</td>
</tr>
<tr>
<td>Number of financial wellness benefits offered</td>
<td>7% Low (0–2 offerings) 37% Medium (3–5 offerings) 56% High (6+ offerings)</td>
</tr>
<tr>
<td>Traditional benefits considered part of financial wellness initiative</td>
<td>91% Health insurance 88% Retirement benefits 84% Time-off benefits</td>
</tr>
<tr>
<td>Employee satisfaction with benefits package</td>
<td>75% Extremely/very satisfied 19% Somewhat satisfied 5% Not too/not at all satisfied</td>
</tr>
<tr>
<td>Company’s concern about employees’ financial well-being</td>
<td>18% Low (1–6) 49% Moderate (7–8) 33% High (9–10)</td>
</tr>
</tbody>
</table>
Similar to the reasons for offering financial wellness initiatives, overall worker satisfaction, use of existing retirement plans, and employee stress are the top factors to measure these initiatives.

**Top Factors in Measuring Financial Wellness Initiatives’ Success**

- Improved overall worker satisfaction: 37%
- Improved use of existing retirement plans: 31%
- Reduced employee financial stress: 31%
- Improved employee retention: 28%
- Worker satisfaction with the initiative(s): 26%
- Reduced health care costs: 26%
- Improved use of existing employee benefits: 23%
- Improved employee recruitment: 19%
- Increased employee productivity: 18%
- Worker utilization of the available initiatives: 18%
- Reduced employee absenteeism: 15%
- Reduced health care claims: 15%
- Differentiator from our competitors: 8%
- Not sure: 2%

Q42. What are the top 3 factors that are or will be important in the measurement of your financial wellness initiatives? Please select your top 3. (n=248)
Lack of employee interest is the top challenge in offering financial wellness benefits. One quarter say not being able to quantify value added is a top challenge.

**Top Challenges in Offering Financial Wellness Benefits**

- Lack of interest among employees: 38%
- Complexity for employees utilizing programs: 31%
- Data and privacy concerns: 30%
- Lack of staff resources to coordinate/market benefits: 27%
- Employee access to services/initiatives: 27%
- Complexity in implementing programs: 27%
- Lack of ability/data to quantify value added of the initiatives: 25%
- Complexity in choosing programs: 25%
- Challenges in making business case to management: 24%
- Financial wellness services offered by vendor(s) don’t meet needs: 15%
- Legal and/or regulatory hurdles: 14%
- Other: 2%
- None of these: 5%

Q43. What are the top 3 challenges your company faces or anticipates facing in offering financial wellness benefits in the workplace? Please select your top 3. (n=248)
Looking only at those who are currently interested but not offering or implementing FW, lack of ability/data to quantify value added of the initiatives is the top challenge in offering FW benefits.

### Top Challenges in Offering Financial Wellness Benefits (only those who are interested, not offering or implementing currently)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of interest among employees</td>
<td>33%</td>
</tr>
<tr>
<td>Complexity for employees utilizing programs</td>
<td>28%</td>
</tr>
<tr>
<td>Data and privacy concerns</td>
<td>24%</td>
</tr>
<tr>
<td>Lack of staff resources to coordinate/marketing benefits</td>
<td>28%</td>
</tr>
<tr>
<td>Employee access to services/initiatives</td>
<td>26%</td>
</tr>
<tr>
<td>Complexity in implementing programs</td>
<td>26%</td>
</tr>
<tr>
<td>Lack of ability/data to quantify value added of the initiatives</td>
<td>36%</td>
</tr>
<tr>
<td>Complexity in choosing programs</td>
<td>22%</td>
</tr>
<tr>
<td>Challenges in making business case to management</td>
<td>22%</td>
</tr>
<tr>
<td>Financial wellness services offered by vendor(s) don’t meet needs</td>
<td>11%</td>
</tr>
<tr>
<td>Legal and/or regulatory hurdles</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
</tr>
<tr>
<td>None of these</td>
<td>10%</td>
</tr>
</tbody>
</table>

Q43. What are the top 3 challenges your company faces or anticipates facing in offering financial wellness benefits in the workplace? Please select your top 3. (n=72)
PHASE TWO OF THE EBRI FWRC RESEARCH
KEY FINDINGS
APPENDIX: DEMOGRAPHICS
## Demographics

### Firm Size

<table>
<thead>
<tr>
<th>Size Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 to 749 employees</td>
<td>13%</td>
</tr>
<tr>
<td>750 to 999 employees</td>
<td>15</td>
</tr>
<tr>
<td>1,000 to 2,499 employees</td>
<td>27</td>
</tr>
<tr>
<td>2,500 to 4,999 employees</td>
<td>16</td>
</tr>
<tr>
<td>5,000 to 9,999 employees</td>
<td>13</td>
</tr>
<tr>
<td>10,000 to 24,999 employees</td>
<td>8</td>
</tr>
<tr>
<td>25,000 or more employees</td>
<td>9</td>
</tr>
</tbody>
</table>

### Average Employee Tenure

<table>
<thead>
<tr>
<th>Tenure Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 years or less</td>
<td>7%</td>
</tr>
<tr>
<td>3 to 5 years</td>
<td>19</td>
</tr>
<tr>
<td>6 to 9 years</td>
<td>25</td>
</tr>
<tr>
<td>10 to 14 years</td>
<td>21</td>
</tr>
<tr>
<td>15 to 19 years</td>
<td>10</td>
</tr>
<tr>
<td>20 years or more</td>
<td>10</td>
</tr>
<tr>
<td>Not sure</td>
<td>7</td>
</tr>
</tbody>
</table>

### Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care and social assistance</td>
<td>14%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>12</td>
</tr>
<tr>
<td>Retail trade</td>
<td>11</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>10</td>
</tr>
<tr>
<td>Educational services</td>
<td>10</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>9</td>
</tr>
<tr>
<td>Government: State or local</td>
<td>8</td>
</tr>
<tr>
<td>Utilities</td>
<td>4</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing, hunting, mining</td>
<td>2</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>2</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>2</td>
</tr>
<tr>
<td>Information</td>
<td>2</td>
</tr>
<tr>
<td>Nonprofit/charitable</td>
<td>2</td>
</tr>
<tr>
<td>Government: Federal</td>
<td>2</td>
</tr>
<tr>
<td>Management of companies and enterprises</td>
<td>1</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>1</td>
</tr>
<tr>
<td>Construction</td>
<td>1</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>1</td>
</tr>
<tr>
<td>Food services and drinking places</td>
<td>1</td>
</tr>
<tr>
<td>Other services, except government</td>
<td>&lt;0.5</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
</tr>
</tbody>
</table>

n=248

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## Employee Satisfaction with Benefits Package

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely satisfied</td>
<td>10%</td>
</tr>
<tr>
<td>Very satisfied</td>
<td>46%</td>
</tr>
<tr>
<td>Somewhat satisfied</td>
<td>40%</td>
</tr>
<tr>
<td>Not too satisfied</td>
<td>3%</td>
</tr>
<tr>
<td>Not at all satisfied</td>
<td>1%</td>
</tr>
</tbody>
</table>

## Absenteeism as an Issue

<table>
<thead>
<tr>
<th>Issue Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A major problem</td>
<td>8%</td>
</tr>
<tr>
<td>A minor problem</td>
<td>61%</td>
</tr>
<tr>
<td>Not a problem</td>
<td>31%</td>
</tr>
</tbody>
</table>

## Job Title

<table>
<thead>
<tr>
<th>Title</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources Manager</td>
<td>30%</td>
</tr>
<tr>
<td>Human Resources Officer</td>
<td>17%</td>
</tr>
<tr>
<td>Senior Executive (CEO, President)</td>
<td>16%</td>
</tr>
<tr>
<td>Compensation &amp; Benefits Manager</td>
<td>10%</td>
</tr>
<tr>
<td>Administration Executive</td>
<td>6%</td>
</tr>
<tr>
<td>Financial Officer</td>
<td>5%</td>
</tr>
<tr>
<td>Compensation &amp; Benefits Officer</td>
<td>4%</td>
</tr>
<tr>
<td>Financial Manager</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
</tr>
</tbody>
</table>

## Decision-Making for Employee Benefits Programs

<table>
<thead>
<tr>
<th>Decision-Making Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am a final decision-maker or I make formal recommendations to senior management</td>
<td>49%</td>
</tr>
<tr>
<td>I have a lot of influence</td>
<td>36%</td>
</tr>
<tr>
<td>I have a moderate amount of influence</td>
<td>15%</td>
</tr>
</tbody>
</table>

## Decision-Making for Financial Wellness Offerings

<table>
<thead>
<tr>
<th>Decision-Making Role</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am a final decision-maker or I make formal recommendations to senior management</td>
<td>42%</td>
</tr>
<tr>
<td>I have a lot of influence</td>
<td>34%</td>
</tr>
<tr>
<td>I have a moderate amount of influence</td>
<td>15%</td>
</tr>
</tbody>
</table>
NETWORKING LUNCH
PLEASE BE BACK BY 1:15 PM
Wi-Fi Network: DCCTR
Password: meeting2015DC

#EBRIPolicyForum

Speaker bios can be found
LUNCHEON KEYNOTE

Suzanne Clark, President, U.S. Chamber of Commerce
WRAP-UP
THANK YOU POLICY FORUM DEVELOPMENT TASK FORCE!

Chris Byrd, Wex Health
Bob Doyle, Prudential
Josh Freely, TIAA
Bob Holcomb, Empower Retirement
Tom Johnson, Retirement Clearinghouse
Melissa Kahn, State Street Global Advisors
Stacy Scapino, Mercer

Andrew Schreiner, Fidelity Investments
Mike Skinner, T Rowe Price
Michael Doshier, T Rowe Price
Liz Varley, Ameriprise Financial
Michael Sowa, LGIMA
Jana Steele, Callan
Chris Stephen, NRECA
Aron Szapiro, Morningstar
Jeff Tulloch, MetLife
THANK YOU FOR ATTENDING!

PLEASE JOIN US FOR OUR NEXT POLICY FORUM ON MAY 12, 2020