The Benefits Ecosystem: When the Whole Is More Valuable Than the Sum of the Parts

A member of my family just purchased a donkey — for, of all reasons, protecting cats. Evidently, when you own horses, you need a barn. When you have a barn, you need cats in order to keep the mice at bay. Unfortunately, coyotes really like to prey on cats. That's where the donkey comes in. Donkeys scare away coyotes, thereby protecting cats. The best part of the story: Horses love donkeys.

I bring this up because it shows how important cooperation is to an ecosystem. If horses and donkeys didn't get along, the ecosystem would fall apart.

EBRI has made it a practice of fully embracing cooperation and partnerships within the benefits ecosystem since its inception. Our organization was founded on the premise that consulting firms needed to band together to develop the type of unbiased, fact-based research that could help their clients — plan sponsors — make better decisions about the benefits they offer under ERISA. We partnered with Mathew Greenwald & Associates to develop the Retirement Confidence Survey — now the longest-running survey of its kind, 30 years later. In 1996, we first began partnering with the Investment Company Institute to develop the EBRI/ICI 401(k) database, which today boasts data on 27 million 401(k) participants.

Most recently, we have developed a partnership with the National Association of Government Defined Contribution Administrators (NAGDCA) to develop the Public Retirement Research Lab (PRRL) to better inform decision-making around public plan workers' retirement offerings.

EBRI and NAGDCA first came together because we knew that our strengths would complement each other: NAGDCA offers focus and expertise in government defined contribution (DC) plans, representing a wide array of public-sector plan sponsors. It has long-standing relationships with public-market service providers, offers a history of leadership in public-sector retirement, and has a reputation for integrity and neutrality.

EBRI is the premier retirement research organization, with a top research team; tested, secure data collection and storage; superior data management; a long-standing relationship with recordkeepers; and likewise, a reputation for integrity and neutrality. Together, NAGDCA and EBRI are in a unique position to build a definitive public-sector retirement database and research lab, delivering factual, reliable analysis for plan sponsors and service providers to use to make decisions for their individual plans and clients. Arguably, neither could do it alone.

The purpose of the PRRL is to create a single data resource that will stand as the national benchmark to help answer questions related to public-sector defined contribution retirement plans that cannot currently be answered. Like the EBRI/ICI 401(k) database, it will house empirical data on DC plan participants but will house data on those with accounts in 457 plans, 403(b) plans, and other public plans. When NAGDCA's Executive

Director, Matt Peterson and I have explained the value of the PRRL to state plan sponsors, recordkeepers, asset managers, and consultants, most have quickly embraced the concept.

Today, public plan sponsors and advisors have two key sources of data upon which to base decisions: survey data and 401(k) data. Neither are ideal. I always cite the work I did back in the early 2000s with David Laibson et al. from Harvard when comparing survey and empirical data. The survey asked if people who weren't saving in the 401(k) plan would do so. About a third said they would. However, according to 401(k) recordkeeper data, virtually no one actually did sign up. In other words, what people say and what they do can be remarkably different.

Likewise, when it comes to using 401(k) data, it can be a bit like comparing a domestic horse and a zebra. They look a lot alike but are ultimately different species (and I don't know whether zebras like donkeys or not). While 401(k) plans are governed by ERISA, public DC plans are not; while corporate DC plans are often the primary or sole employer-sponsored retirement vehicle, in the public space, not only defined contribution but also defined benefit plans remain a very big component of employees' retirement programs. Recent research by EBRI even shows that differences in the tenure of public-sector workers vs. private-sector workers indicate that private-sector programs are likely not a model for the public sector.

Essentially, by using empirical data, the PRRL can greatly improve upon current benchmarking. Further, the PRRL will be able to leverage EBRI's Retirement Security Project Model® to evaluate the retirement security of America's public-sector workers and ways it can be improved, just as EBRI has done for many years with its 401(k) database.

The cooperative spirit of PRRL does not stop with NAGDCA and EBRI. PRRL founding members include asset managers, recordkeepers, and consultants — many of whom would normally compete with each other. However, they have found common ground seeking to improve the level of data analysis and research associated with public DC plans. Even our leadership speaks to collaboration. PRRL is led by two co-Chairs who are the premier public plan consultants in the country: Ben Taylor, Senior Vice President and Defined Contribution Consultant at Callan, and Wendy Carter, Vice President and Defined Contribution Director of Segal.

You will hear a lot about PRRL's collaboration over the next year. As noted earlier, we are poised to release our first research paper on public-sector employee tenure in the next few weeks.

Our other partnerships continue to flourish:

- EBRI and Mathew Greenwald & Associates will release their 30th annual Retirement Confidence Survey in April.
- We have for the first time ever connected our 401(k) and HSA databases to show the impact of investing in both types of plans.
- The American Savings Education Council (ASEC) is partnering on the America Saves Week, and we'll be featuring Single Women and Retirement in our April ASEC meeting.

Further, we plan to announce new partnerships in the future that will further build out our data and ability to serve our members and fulfill our mission.

In short, EBRI firmly embraces the notion that a strong retirement ecosystem will be based on partnerships and collaborations geared to make the whole much more valuable than the sum of the parts.

Lori Lucas

President and CEO