PERSPECTIVES ON RETIREMENT READINESS IN THE UNITED STATES: A WHITE PAPER[1]

According to the Census Bureau, the age 65-and-older demographic in the United States is likely to increase by more than 50 percent—to approximately 74 million—between 2015 and 2030.[2] Based on current trends, this age group will likely represent more than 20 percent of the total U.S. population by 2030.[3] This development promises to have a significant and wide-ranging impact on a number of policy areas in the years ahead. Retirement readiness is one of those policy areas.

Background

For many Americans, the prospect of a comfortable retirement remains an elusive goal. For example, a recent Gallup survey found that "Americans continue to be most worried about not having enough money for retirement, with 64 percent saying they are 'very worried' or 'moderately worried' about this."[4] According to Gallup, since it began polling Americans in 2001 regarding their financial concerns, "a majority have continually been worried about not being able to afford retirement—the top overall concern in each of those sixteen years."[5] Another recent Gallup survey concluded that "many working Americans simply can't afford to retire."[6]

A Federal Reserve report on the economic well-being of U.S. households in 2015 found, among other things, that 31 percent of non-retirees reportedly "have no retirement savings or pension whatsoever."[7] Moreover, Americans are not confident about their financial abilities. According to the report, nearly one-half of non-retirees with self-directed retirement accounts are either "not confident" or "slightly confident" in their ability to make the right investment decisions when investing in such accounts.[8]

---

[1] This White Paper was prepared by the SEC's Office of the Investor Advocate in connection with its Report on Activities for Fiscal Year 2016. *See* SEC, Office of the Investor Advocate, *Report on Activities, Fiscal Year 2016* (forthcoming December 2016). The views expressed herein are those of the Office of the Investor Advocate and do not necessarily reflect the views of the Commission, individual Commissioners, or other staff of the Commission. The Commission has expressed no view regarding the analyses, findings, and conclusions contained herein.

[2] U.S. Census Bureau, Projections of the Population by Sex and Selected Age Groups for the United States: 2015 to 2060 (December 2014).

[3] *Id*.

[4] *See* Justin McCarthy, *Americans' Financial Worries Edge Up in 2016*, GALLUP (Apr. 28, 2016), http://www.gallup.com/poll/191174/americans-financial-worries-edge-2016.aspx?version=.

[5] *See id*.

[6] *See* Lydia Saad, *Three in 10 U.S. Workers Foresee Working Past Retirement Age*, GALLUP (May 13, 2016), http://www.gallup.com/poll/191477/three-workers-foresee-working-past-retirement-ags-as.aspx?version=.

[7] BOARD OF GOVERNORS OF THE FED. RES. SYS., REPORT ON THE ECONOMIC WELL-BEING OF U.S. HOUSEHOLDS IN 2015 (May 2016) at 59-60.

[8] *Id*. at 63.

Similarly, a recent study by the U.S. Government Accountability Office (the "GAO Retirement Study") found, among other things, that Social Security furnishes most of the retirement income for approximately half of households age 65-and-older.[9] This trend may continue, as the same study found that 52 percent of households age 55-and-older have no retirement savings in a defined contribution plan or individual retirement account, and nearly 30 percent of households age 55-and-older have no retirement savings and no defined benefit (*e.g.*, pension) plan.[10] Findings like these prompt some to warn of a "retirement crisis" and to caution that "millions of Americans may be forced to muddle through their final years partially dependent on others for financial support and to accept a standard of living significantly below that which they had envisioned."[11]

On the other hand, the Employee Benefit Research Institute's 26th annual Retirement Confidence Survey found, among other things, that the percentage of workers who were very confident about having enough money for a comfortable retirement increased from 13 percent in 2013 to 22 percent in 2015 before plateauing at 21 percent in 2016.[12] For retirees, the latest survey found that 39 percent are very confident.[13]

In examining data from the U.S. Census Survey of Income and Program Participation, the Pew Charitable Trusts ("Pew") found, among other things, that more than one-third of full-time employees do not have access to a workplace retirement plan.[14] Moreover, employees who have access to such a plan face competing financial demands that make it difficult for them to participate in a retirement plan.[15] Those challenges may include debt, saving for a down payment on a house, funding their children's college education, or a lack of confidence in their investing ability.[16] Generally, according to Pew, most employees who participate in a workplace retirement plan have modest balances in their plan accounts.[17]

Income Replacement

Pivotal to the retirement readiness debate is the projected percentage of income required to be replaced during retirement. Income in retirement may come from several different sources, including Social Security, pension plan income, retirement plan savings (*e.g.*, 401(k)s or IRAs),

[9] *See* U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-15-419, RETIREMENT SECURITY—MOST HOUSEHOLDS APPROACHING RETIREMENT HAVE LOW SAVINGS (May 12, 2015) at 7.
[10] *See id.*
[11] Keith Miller *et al.*, *The Reality of the Retirement Crisis*, CENTER FOR AMERICAN PROGRESS (Jan. 26, 2015) at 1.
[12] *See* Ruth Helman *et al*., *The 2016 Retirement Confidence Survey: Worker Confidence Stable, Retiree Confidence Continues to Increase*, (Employee Benefit Research Institute Issue Brief No. 422, Mar. 2016).
[13] *See id*.
[14] *See* PEW CHARITABLE TRUSTS, ISSUE BRIEF: EMPLOYER-SPONSORED RETIREMENT PLAN ACCESS, UPTAKE AND SAVINGS (Sept. 14, 2016).
[15] *Id.*
[16] *Id.*
[17] *Id.*

non-retirement savings such as home equity, and wages.[18] Adequate retirement income has been defined as "an income that allows retirees to maintain their pre-retirement standard of living."[19]

Unfortunately, there is no clear consensus on how much income would be adequate to maintain a retiree's pre-retirement standard of living.[20] Experts generally agree that most retirees do not need to replace 100 percent of working income to maintain their standard of living because they are likely to have fewer expenses as compared to when they were working.[21] However, as the GAO Retirement Study observed, different studies use different replacement rates or other benchmarks to measure retirement income adequacy.[22]

For example, the National Institute on Retirement Security ("NIRS") posits that, "[t]o maintain its standard of living in retirement, the typical working American household needs to replace roughly 85 percent of pre-retirement income" or eight times income at age 67.[23] NIRS concedes that an 85 percent income replacement rate "may seem high," but contends that the rate "does not fully account for medical costs which can escalate rapidly during retirement."[24] By comparison, a 2012 Urban Institute study sets a 75 percent replacement rate target, but assumes retirement at age 70.[25] The Social Security Administration states that "Social Security replaces about 40 percent of an average wage earner's income after retiring, and most financial advisors say retirees will need 70 percent or more of pre-retirement earnings to live comfortably."[26] Perhaps tellingly, those who argue that there is no retirement crisis tend not to identify a specific retirement adequacy benchmark.[27]

Some argue that a simple, one-size-fits-all income replacement rate is misleading.[28] For example, the Center for Retirement Research at Boston College ("CRR") divides its retirement adequacy benchmark into tiers, estimating a 69 percent replacement rate for the highest third of income earners, 72 percent for the middle third, and 79 percent for the lowest tier.[29] After reviewing the various models, the GAO Retirement Study concluded that identifying a specific target for the replacement rate would require numerous complicated assumptions.[30]

The Automatics—Automatic Enrollment, Default Investments, and Automatic Escalation

---

[18] *See* U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 9, at 3.
[19] Andrew C. Biggs & Sylvester Schieber, *Is There a Retirement Crisis?*, NATIONAL AFFAIRS (2014) at 55, 70 (referencing research by Jason S. Seligman, *Missing the Mark: Employment Related Risks to Retirement Security for Older Workers*, TIAA-CREF Policy Briefs (2010)).
[20] *See* U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 9, at 22.
[21] *See id*.
[22] *See id*. at 23.
[23] Naree Rhee & Ilana Boivie, *The Continuing Retirement Savings Crisis*, NAT'L INST. ON RETIREMENT SECURITY (March 2015) at 2. *See also* U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 9, at 25.
[24] Rhee & Boivie, *supra* note 23, at 2.
[25] *See* U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 9, at 24.
[26] SSA Publication No. 05-10024, *Social Security—Understanding the Benefits*, at 4 (2015), www.socialsecurity.gov.
[27] *See id*.
[28] Biggs & Schieber, *supra* note 19.
[29] *See* U.S. GOV'T ACCOUNTABILITY OFFICE, *supra* note 9, at 25.
[30] *See id*.

Notwithstanding the debate over the appropriate income replacement rate, the challenge of increasing savings is not new, and the concept of making employer-sponsored retirement plans "automatic" has gained traction. According to one study, the median amount that middle-class Americans have saved for retirement is $20,000, and half of those aged 50-75 have saved less than $25,000.[31] This suggests that many Americans find it difficult to save for retirement.[32] To address issues like these, as well as employee inertia, Congress enacted the Pension Protection Act in 2006 (the "PPA").[33] Very generally, the PPA gives 401(k) plan sponsors and employers a "safe harbor" from fiduciary liability that may arise from one or more of the following "automatic" features in an employer-sponsored retirement plan:

- Automatic enrollment of employees in a 401(k) plan that would enroll employees at a default savings contribution rate (*e.g.*, 3 percent of salary), but would permit employees to opt out affirmatively.[34]

- Automatic enrollment into default investments, known as Qualified Default Investment Alternatives,[35] some of which would automatically invest employee contributions in "approved" investment vehicles, such as target date funds.[36]

- Automatic escalation to increase employee contributions to their 401(k) accounts periodically.[37]

More recently, automatic enrollment was one of the major themes at a Congressional hearing on retirement savings. On September 16, 2014, the Senate Finance Committee convened a hearing on "Retirement Savings 2.0: Updating Savings Policy for the Modern Economy."[38] In her testimony before the Committee, Professor Brigitte C. Madrian of Harvard University stated that "[b]y far the most effective method to increase savings plan participation is automatic enrollment."[39] She argued that "[e]xpanding the reach of auto-enrollment is the most promising policy step we can take to increase the fraction of Americans who are saving for retirement."[40] According to Professor Madrian, this would entail increasing "the number of employers with

---

[31] *See generally* 2014 Wells Fargo Middle-Class Retirement Study.
[32] *Id.*
[33] Pub. L. No. 109-280, 120 Stat. 780 (2006).
[34] *See* Section 902 of the Pension Protection Act. *See also* Section 401(k)(13) of the Internal Revenue Code.
[35] *See generally* Default Investment Alternatives Under Participant Directed Individual Account Plans, 72 FR 60452, 60452-53 (Oct. 24, 2007).
[36] *See, e.g.,* DOL Fact Sheet—Regulation Relating to Qualified Default Investment Alternatives in Participant-Directed Individual Account Plans (Apr. 2008), *available at* https://www.dol.gov/ebsa/newsroom/fsQDIA.html (last visited May 26, 2015).
[37] *See* Pub. L. No. 109-280, 120 Stat. 780 (2006). *See also* Section 401(k)(13) of the Internal Revenue Code.
[38] *See Retirement Savings 2.0: Updating Savings Policy for the Modern Economy*: *Hearing Before the S. Comm. On Finance*, 113th Cong. (2014).
[39] *Retirement Savings 2.0: Updating Savings Policy for the Modern Economy*: *Hearing Before the S. Comm. On Finance*, 113th Cong. (2014) 12 (testimony of Brigitte C. Madrian, Ph.D., Aetna Professor of Public Policy and Corporate Management, John F. Kennedy School of Government, Harvard University).
[40] *Id.*

savings plans who use automatic enrollment, increasing the number of employers who offer savings plans, and providing simple savings alternatives for individuals who are self-employed or whose employers do not and are unlikely to ever sponsor a savings plan."[41]

Currently, some of these behavioral incentives, such as automatic enrollment, do not appear to go far enough toward enhancing retirement preparedness. For instance, despite the increased adoption of auto-enrollment among employer sponsored retirement plans following the enactment of the PPA, gains in retirement saving due to auto-enrollment have been lackluster.[42] This may be because many employers who adopted auto-enrollment set the default contribution at a relatively low three percent of pay, instead of the maximum employer match threshold of six percent favored by some.[43] As a result, some employees who would have participated in their employer sponsored retirement plan at the higher threshold are now contributing at the lower default contribution rate.[44] Moreover, employees in auto-enrollment plans may contribute a lower percentage of earnings than employees in opt-in plans, thus dampening the overall level of employee saving generated by the increase in plan participation.[45]

Auto-enrollment plans also tend to have lower employer match rates.[46] Thus, auto-enrollment can be a double-edged sword, in that while it has increased overall participation in employer-sponsored retirement plans, reductions in employee and employer contribution rates have dulled its effect on retirement saving overall.[47] As the Brookings Institution ("Brookings") observes, "for all the celebration of auto enrollment and auto escalation, both the offering of 401(k)s and participation in them barely budged."[48] Nor, argues Brookings, "are the trends for those who do have 401(k)s particularly impressive[,]" because savings rates have not even kept up with increases in longevity.[49] Brookings suggests expanding Social Security, with appropriate tax increases, and implementing automatic enrollment in a retirement plan while permitting employees to change their savings level or opt-out of the plan entirely.[50]

Bipartisan Policy Center

---

[41] *Id.*
[42] *See, e.g.*, Steven A. Sass, *Can We Increase Retirement Saving?* (Ctr. for Ret. Research at Boston College No.16-15, Sept. 2016), http://crr.bc.edu/wp-content/uploads/2016/08/IB_16-15.pdf.
[43] *Id.* According to a report from the Vanguard Group, of defined contribution plans with an employer match formula, 47 percent of plans had a median value of employee contribution to maximize employer match at 6 percent in 2015. From 2006 to 2015, the median percentage of employee contributions for maximum match has consistently been 6 percent every year. *See* VANGUARD, HOW AMERICA SAVES 2016, at 17-18, https://institutional.vanguard.com/iam/pdf/HAS2016.pdf.
[44] *See, e.g.*, Steven A. Sass, *supra* note 42.
[45] *Id.*
[46] *Id.* (citing research by Barbara Butrica and Nadia Karamcheva using data from the National Compensation Survey).
[47] *See, e.g.*, Steven A. Sass, *supra* note 42.
[48] *See* Joshua Gotbaum, *Losing Ground: Little Reason to Celebrate 10th Anniversary of the Pension Protection Act*, BROOKINGS (Aug. 26, 2016), https://www.brookings.edu/opinions/losing-ground-little-reason-to-celebrate-10th-anniversary-of-the-pension-protection-act/.
[49] *Id.*
[50] *Id.*

In June 2016, the Bipartisan Policy Center's Commission on Retirement Security and Personal Savings (the "BPC Commission") published a report (the "BPC Report") containing recommendations to help address the challenges confronting retirement preparedness and the adequacy of savings.[51] The BPC Report identified six key challenges impacting retirement security and personal savings: (1) many Americans' inability to access workplace retirement plans; (2) insufficient personal savings for short-term needs, which too often leads individuals to raid their retirement savings; (3) risk of outliving retirement savings; (4) failure to build and use home equity to support retirement security; (5) lack of basic knowledge about personal finance; and (6) problems with Social Security, including unsustainable finances, an outdated program structure, and failure to provide adequate benefits for some retirees.[52]

To address these challenges, the BPC Report makes a number of recommendations. For instance, the BPC Report recommends improving access to workplace retirement plans.[53] In this regard, the BPC Report noted that many Americans, particularly those who work for small businesses, do not have access to a payroll deduction workplace retirement plan.[54] Indeed, Professor Madrian, a member of the BPC Commission, had testified before the Senate Finance Committee that "the biggest problem with the current system is that many workers do not have the ability to save for retirement through payroll deduction" because "their employer is not offering a savings plan or they are not eligible for the savings plan that their employer is offering," and therefore "we need initiatives to encourage small employers to offer a savings plan."[55] Consistent with Professor Madrian's analysis, the BPC Report recommends, among other things, the creation of a "new, streamlined option" that would enable small business employers to transfer most of their responsibilities for operating a retirement savings plan to a third party expert, while continuing to maintain strong employee protections.[56] The BPC Report also recommends, among other things, enhancement of the existing myRA program to provide a "base of coverage" for those workers, including part-time, seasonal, and low-earning workers "who are least likely to be offered a retirement savings plan."[57]

The BPC Report also recommends the promotion of personal savings for short-term needs and the preservation of retirement savings for older age.[58] The BPC Report observed that a lack of personal savings can cause employees to raid their retirement accounts to pay for emergencies and major purchases.[59] The BPC Report stated that "this 'leakage' of retirement savings—while it might address an immediate financial squeeze—jeopardizes many Americans' long-term retirement security."[60] To help reduce such leakage, the BPC Report recommends, among other things, that employers be permitted to enroll employees automatically via payroll deductions into

---

[51] BIPARTISAN POLICY CTR., SECURING OUR FINANCIAL FUTURE: REPORT OF THE COMMISSION ON RETIREMENT SECURITY AND PERSONAL SAVINGS (June 2016), http://cdn.bipartisanpolicy.org/wp-content/uploads/2016/06/BPC-Retirement-Security-Report.pdf.
[52] *Id*. at 7.
[53] *Id.*
[54] *Id.*
[55] *See* Tr. of testimony of Brigitte C. Madrian, Ph.D, *supra* note 39, at 16.
[56] BIPARTISAN POLICY CTR., *supra* note 51.
[57] *Id.*
[58] *Id.* at 8.
[59] *Id.*
[60] *Id.*

multiple accounts to enable contributions to be divided between a tax-advantaged retirement plan and a standard savings account covered by deposit insurance.[61] In addition, the BPC Report recommends that plan sponsors integrate sophisticated but "easy-to-use" lifetime income features within retirement savings plans.[62] This could include, for example, the purchase of a guaranteed lifetime-income product (*i.e.*, an annuity) in automatic installments.[63] The BPC Report further recommends methods to facilitate the use of home equity for retirement consumption.[64] The BPC Report noted that a "variety of mechanisms exist for tapping home equity to fund regular consumption needs in retirement," *e.g.*, downsizing, taking out a reverse mortgage, or selling the home and renting instead.[65] Additionally, the BPC Report calls for improved financial capability among all Americans.[66] The BPC Report supported a number of approaches to improve financial capability, including implementing recommendations from the President's Advisory Council on Financial Capability, providing improved personal financial education through K-12 and higher education curricula, and better communicating the disadvantages of claiming Social Security prematurely.[67] Finally, the BPC Report recommends adjustments to Social Security's tax and benefit levels to reflect changing demographics, better target benefits for the most vulnerable seniors (including surviving spouses and low-income workers), preservation of intra- and inter-generational equity, and more fairly rewarded work.[68]

Center for Retirement Research at Boston College

By comparison, CRR warns that "about half of working-age households are 'at risk' of being unable to maintain their pre-retirement standard of living in retirement."[69] The reasons for this, according to CRR, include: (1) increased life expectancy; (2) declining Social Security replacement rates; (3) the shift in employer retirement plans from defined benefit to defined contribution plans; (4) increased out-of-pocket health care costs for retirees; and (5) the substantial decline in real interest rates since 1983.[70] As a result, "baby boomers—and those who follow—will need more retirement income, but will receive less support from the traditional sources of Social Security and employer defined benefit plans."[71] Therefore, concludes CRR, "retirees need a much bigger nest egg than in the past to generate a given amount of income."[72]

To address these perceived problems, CRR recommends that Americans work longer, save more, and consider using home equity to fund their retirement.[73] According to CRR, delaying

[61] *Id.* at 59.
[62] *Id.* at 9.
[63] *Id.*
[64] *Id.*
[65] *Id.*
[66] *Id.* at 10.
[67] *Id.*
[68] *Id.*
[69] Alicia H. Munnell, *Falling Short: The Coming Retirement Crisis and What to Do about It*, (Ctr. for Ret. Research at Boston College Issue in Brief No.15-7, Apr. 2015), http://crr.bc.edu/wp-content/uploads/2015/04/IB_15-7_508.pdf.
[70] *Id*.
[71] *Id*.
[72] *Id*.
[73] Munnell, *supra* note 69.

retirement can increase an individual's Social Security income by 7-8 percent for each year of delay, allow individuals to contribute to their employer-sponsored retirement plan for a longer period, and decrease the length of retirement over which an individual would need to stretch retirement funds.[74] Retirement nest eggs could be enhanced by making employer-sponsored retirement plans fully automatic (by enrolling all workers automatically into such plans, setting default contribution rates, and enrolling them into acceptable default investment options like target-date funds), and covering those employees who are not enrolled in an employer-sponsored retirement plan.[75] In addition, extra retirement income could be generated through downsizing or by taking out a reverse mortgage.[76]

Ghilarducci and James

In contrast, a different approach is advocated by Professor Teresa Ghilarducci (also a member of the BPC Commission) of the New School for Social Research and Hamilton "Tony" James, President of Blackstone, who together developed what they termed a "comprehensive plan to confront the retirement savings crisis."[77] Ghilarducci and James identify a "retirement savings gap" [78] resulting from a "patchwork retirement system" that "has six key problems" that "create an existential threat facing our nation's retirees."[79] According to Ghilarducci and James, those problems include the following: (1) of those workers offered a workplace defined contribution plan, nearly two thirds do not accumulate enough in savings; (2) people who contribute to defined contribution plans are likely to withdraw savings before retirement, thereby incurring high fees and taxes in the process; (3) under the existing system, those participating in defined contribution retirement plans experience sub-optimal investment returns due to high fees and a structural bias in favor of short-term liquid stocks and bonds that causes them to pay for liquidity they do not need, thereby sacrificing higher returns in the process; (4) the overall economy misses the full benefit of this capital because the short-term focus favored by 401(k) and IRAs inhibits long-term capital formation; (5) the existing system provides incentives that favor the wealthy and the financially sophisticated by bestowing higher tax subsidies on them; and (6) the existing system offers no cost-effective means to convert retirement savings into life-long income—even for financially sophisticated retirees.[80]

To address these perceived problems, Ghilarducci and James propose a "Retirement Savings Plan" whereby all who lack access to a workplace pension plan would be enrolled into a Guaranteed Retirement Account ("GRA") and those with 401(k)-type and all other retirement plans would rollover their account balances into a more suitable GRA.[81] Their proposal would require all businesses with more than five employees to provide either a pension or the GRA.[82] Ghilarducci and James contend that their proposed Retirement Savings Plan would accomplish

---

[74] *Id*.
[75] *Id*.
[76] *Id*.
[77] Teresa Ghilarducci and Hamilton "Tony" James, *A Comprehensive Plan to Confront the Retirement Savings Crisis*, THE NEW SCHOOL RETIREMENT EQUITY LAB (2016).
[78] *Id.* at 5.
[79] *Id.* at 8.
[80] *Id.* at 8-12.
[81] *Id.* at 13.
[82] *Id.*

the following objectives: (1) it would ensure that all workers could save enough to retire; (2) the GRAs would invest those savings in lower-risk, longer-term strategies that would generate a higher rate of return; (3) there would be guaranteed lifelong annuitized benefits regardless of a retiree's lifespan; and (4) there would be incentives to remain in the workforce longer for those who choose to do so.[83]

The Ghilarducci and James proposal is not without its detractors. For example, one commentator argues that, because the proposal would mandate contributions from an employer and employee that would result in a combined three percent savings rate, such a low level of savings would leave employees worse off than the *status quo*.[84] More generally, in his testimony before the Senate Finance Committee on retirement savings, Dr. Andrew G. Biggs of the American Enterprise Institute noted that "some are proposing expensive expansions of Social Security benefits. Others are arguing that IRAs and 401(k)s are not working and should, effectively, be scrapped. In fact," he argued, "these claims are overblown, and the policies being proposed are non-solutions to a non-crisis."[85]

The table below contains a general summary of some of the highlights of the foregoing discussion regarding retirement readiness concerns and selected policy recommendations:

Sampling of Experts	**Issue(s) Identified**	**Selected Policy Recommendations**
Brookings Institution	▪ Savings rates have not kept up with increases in longevity	▪ Expand Social Security through tax increases ▪ Implement auto-enrollment in retirement plans ▪ Require all businesses to offer workplace savings plans
Bipartisan Policy Center	▪ Lack of access to workplace retirement plans ▪ Insufficient savings for short-term needs ▪ Risk of outliving retirement savings ▪ Failure to build and use home equity ▪ Lack of personal finance knowledge ▪ Problems with Social Security	▪ Improve access to workplace retirement plans, especially for small businesses ▪ Implement auto-enrollment in multiple accounts ▪ Integrate lifetime income features in plans ▪ Facilitate the use of home equity for retirement consumption ▪ Improve financial education ▪ Strengthen Social Security's

[83] *Id.*
[84] *See, e.g.,* Nevin E. Adams, *Rescuing Retirement from the 'Rescuers'*, NAPA NET (Sept. 27, 2016), http://www.napa-net.org/news/managing-a-practice/industry-trends-and-research/rescuing-retirement-from-the-rescuers/.
[85] *Retirement Savings 2.0: Updating Savings Policy for the Modern Economy: Hearing Before the S. Comm. On Finance*, 113th Cong. 13 (2014) (testimony of Dr. Andrew G. Biggs, Ph.D., Resident Scholar, American Enterprise Institute, Washington, DC).

Sampling of Experts	Issue(s) Identified	Selected Policy Recommendations
		finances and modernize the program
Center for Retirement Research at Boston College	▪ Increased life expectancy ▪ Declining Social Security replacement rates ▪ Shift from defined benefit to defined contribution retirement plans ▪ Increased out-of-pocket health care costs for retirees ▪ Decline of real interest rates	▪ Encourage workers to work longer to increase Social Security benefits and grow assets ▪ Permit workers to contribute to retirement plans for a longer period ▪ Implement auto-enrollment for all workers ▪ Use home equity by downsizing or taking out a reverse mortgage
Ghilarducci and James	▪ Insufficient savings by those with access to workplace defined contribution plans ▪ Long-term retirement savings used to cover short-term needs (leakage) ▪ Existing system offers no cost-effective means to convert savings to life-long income ▪ Defined contribution participants experience sub-optimal returns on investments ▪ Investments in 401(k)s and IRAs have a short-term focus rather than a long-term outlook ▪ Current system favors the wealthy though higher tax subsidies	▪ All employers with more than five employees must provide a pension or Guaranteed Retirement Account (GRA) ▪ Shift all uncovered workers, and roll workers with retirement plans, into GRAs ▪ Annuitize benefits ▪ Offer incentives to workers to remain in the work force

State and Municipal Sponsored Retirement Plans

While the retirement readiness debate continues, the federal government and a number of states are experimenting with innovative ways to increase retirement savings. For example, the federal government's myRA initiative is a retirement savings program with no start-up cost, no fees, and no minimum contribution requirement "designed for people who don't have access to employer-sponsored retirement savings plans or lack other options to start saving for retirement."[86] At the state level, Washington has adopted a marketplace exchange called the Small Business Retirement Marketplace, which promotes "low-cost retirement savings vehicles to small

[86] U.S. DEP'T OF THE TREAS., ABOUT MYRA, https://myra.gov/about/.

businesses."[87] Another state program, Illinois's SecureChoice, provides some businesses that do not have a qualified savings plan an option to "offer a private market savings vehicle, or automatically enroll their employees into Secure Choice," a portable savings plan that invests in a "default target date Roth IRA with a default three percent payroll deduction."[88] Other states that have passed legislation creating state-sponsored retirement plans include California (whose Secure Choice plan is due to take effect on January 1, 2017), Connecticut, Maryland, New Jersey, Oregon, and Massachusetts. In a related development, New York City appears to be the first municipality to propose a retirement savings program for private sector workers in the city. Because these programs are in their early stages, their effectiveness is difficult to measure at this time.

Conclusion

While there is no shortage of innovative ideas regarding the state of retirement readiness in America, we believe that any feasible approach to address this issue must be simple to understand and implement. In her testimony before the Senate Finance Committee at the hearing on retirement savings, Professor Madrian stated:

> In conclusion, the lessons from behavioral economics research are clear: if you want individuals to save, make it easy. If you want individuals to save more, make it easy. If you want employers to help their workers save, make it easy. And if you want individuals to spend less, make it hard.[89]

We concur.

---

[87] WASH. ST. DEP'T OF FIN. INST., SMALL BUSINESS RETIREMENT MARKETPLACE, http://www.dfi.wa.gov/rulemaking/small-business-retirement-marketplace.
[88] ILL. ST. TREAS., SECURE CHOICE, http://illinoistreasurer.gov/Individuals/Secure_Choice.
[89] *See* Tr. of testimony of Brigitte C. Madrian, Ph.D., *supra* note 39, at 12.