



GEORGETOWN UNIVERSITY

McCourt School of Public Policy

Center for Retirement Initiatives

Webinar May 28, 2020

**COVID-19 & Retirement Savings:
The Case for Protecting and Expanding Access and Participation**

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Our Panel:

Kevin Boyles, Vice President, Workplace Savings Solutions, Millennium Trust

Toni Brown, Senior Vice President, Retirement Strategy Group, Capital Group

Michael Kreps, Principal, Groom Law Group

David Musto, President & CEO, Ascensus

Michael Parker, Executive Director, Oregon Savings Network

Moderator:

Angela M. Antonelli, Executive Director, Georgetown Center for Retirement Initiatives

David Musto

President & CEO, Ascensus

COVID-19 Impacts

MAY 28, 2020

Presented by:

David Musto | President and CEO

Workplace Retirement Plan Access

\$17 Trillion

in Retirement Savings¹

\$7.5 Trillion

in 401(k)²

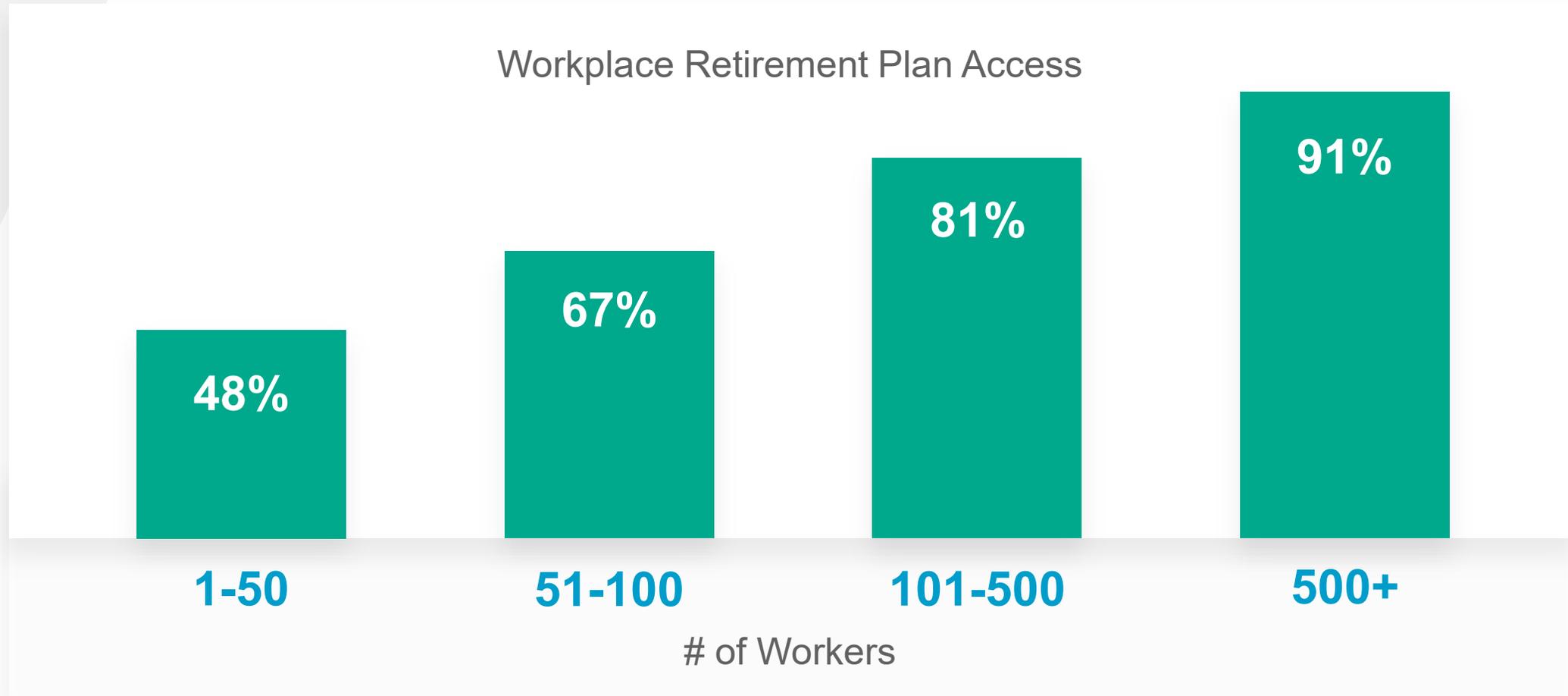
\$9.2 Trillion

in IRAs²

¹Investment Company Institute, "Retirement Assets Total \$28.0 Trillion in First Quarter 2018," June 21, 2018.

²Vanguard, *How America Saves*, June 2018.

Twin Deficits: Coverage and Quality



Source: Morningstar, "Small Employers, Big Responsibilities: How Policymakers Can Address the Small Retirement Plan Problem," November 2017, <https://www.morningstar.com/content/dam/marketing/shared/pdfs/policy/SmallEmployersBigResponsibilities.pdf>.

Twin Deficits: Coverage and Quality

Employee Count	Average Plan Participation Rate ¹	
1-49	34%	
50-99	46%	
100-499	58%	
500 or more	76%	
Plan Size	Auto Enroll Utilization	Auto Increase Utilization
<\$1MM ²	16%	12%
\$1-5MM ²	21%	14%
Large Plans ³	71%	70%

¹ Bureau of Labor Statistics, "National Compensation Survey," March 2017, <https://www.bls.gov/ncs/ebs/benefits/2017/ownership/private/table02a.pdf>.

² PLANADVISER, "2018 PLANADVISER Micro Plan Survey," 2018, <https://www.planadviser.com/research/2018-planadviser-micro-plan-survey/>.

³ Callan Institute, "2018 Defined Contribution Trends," 2018, <https://www.callan.com/wp-content/uploads/2018/01/Callan-2018-DC-Survey.pdf>.

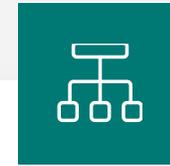
Small Business by the Numbers



99%
of U.S.
businesses



48%
of U.S.
workforce



63%
of all new job creation

Source: U.S. Small Business Administration Office of Advocacy, "Frequently Asked Questions," August 2018, <https://s3.amazonaws.com/advocacy-prod.sba.fun/wp-content/uploads/2017/08/04125711/Frequently-Asked-Questions-Small-Business-2018.pdf>.

Small and Medium-Size Businesses Under Pressure

Overall sentiment among US small and medium-size businesses¹

Agree

Disagree

I have been personally affected by the coronavirus (COVID-19)

46

22

My business has been affected by the coronavirus (COVID-19)

56

13

My ability to work/run my business has been reduced by the coronavirus (COVID-19)

54

14

My income has been negatively affected by the coronavirus (COVID-19)

54

14

My business feels less secure because of the coronavirus (COVID-19)

48

15

Source: McKinsey & Company Financial Services. Tracking US Small and Medium-Sized Business Sentiment During COVID-19: Wave 3. May 2020.

COVID-19: 11 Weeks and Counting

- **No major impact** on plan terminations
- **Meaningful reduction** in participant contribution levels
- **Uptick in hardship** distributions, but loan activity is down
- **Limited adoption** of CARES Act provisions

Toni Brown

Senior Vice President, Retirement Strategy Group,
Capital Group



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GROUP®**

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**Are participants
able to create an
adequate
retirement
paycheck?**

Participant Profile – Retirement Income Replacement Analysis



Input assumptions

Category	Assumptions
Current age	25
Retirement age	65
Life Expectancy	95
Salary growth	3%
Initial investment	\$0

Annual salary	Sources of Retirement Income	Contributions		
		5%	10%	15%
\$60,000	Social Security	39%	39%	39%
	Defined Benefit	-	-	-
	Defined Contribution	16%	32%	48%
Total		55%	71%	87%

\$40,000	Social Security	44%	44%	44%
	Defined Benefit	-	-	-
	Defined Contribution	16%	32%	48%
Total		60%	76%	92%

\$20,000	Social Security	59%	59%	59%
	Defined Benefit	-	-	-
	Defined Contribution	16%	32%	48%
Total		75%	91%	107%

Retirement Plans - Creating a Retirement Paycheck

Current state...

- Life spans are increasing
- Many workers don't have access to retirement savings plans
- Those who do often aren't saving enough
- Is participant behavior harmful?

Going forward...

- Defined contribution plans are primary retirement plan for many American workers
 - Increase access
 - Influence savings
 - Highlight the benefit
 - Engage employees
 - Auto everything
-

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Michael Parker

Executive Director, Oregon Savings Network



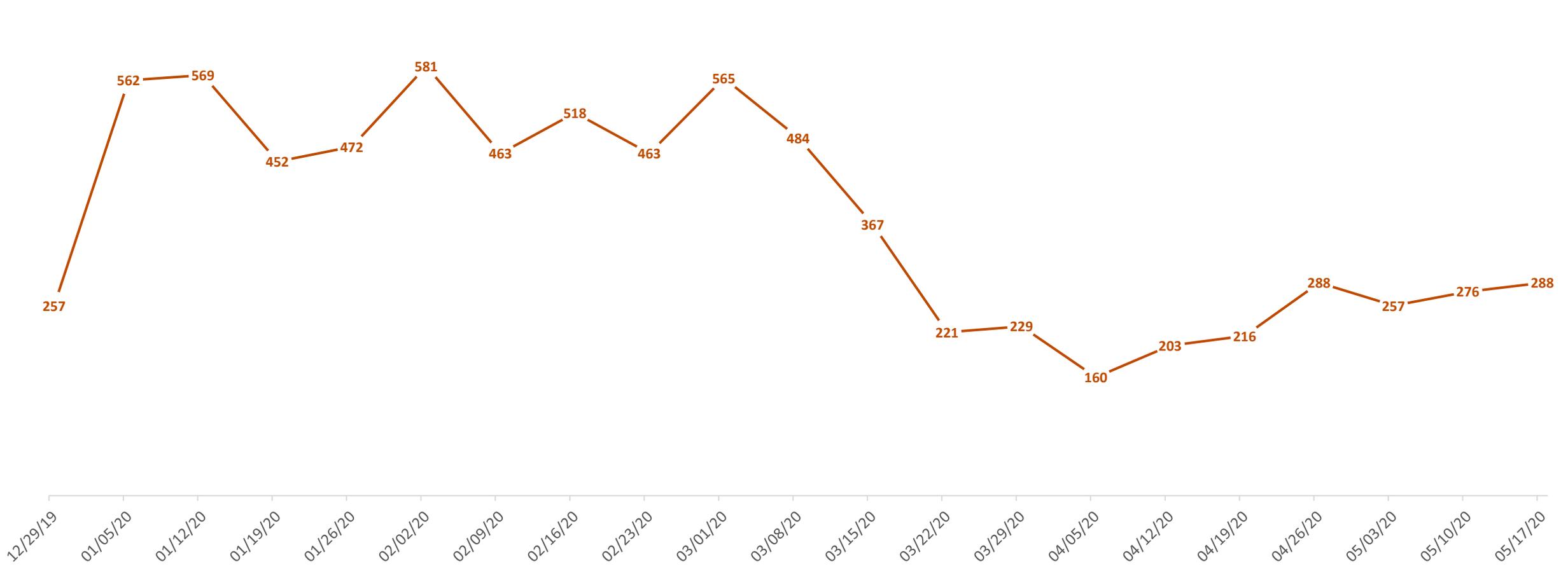
Managing Through the Pandemic



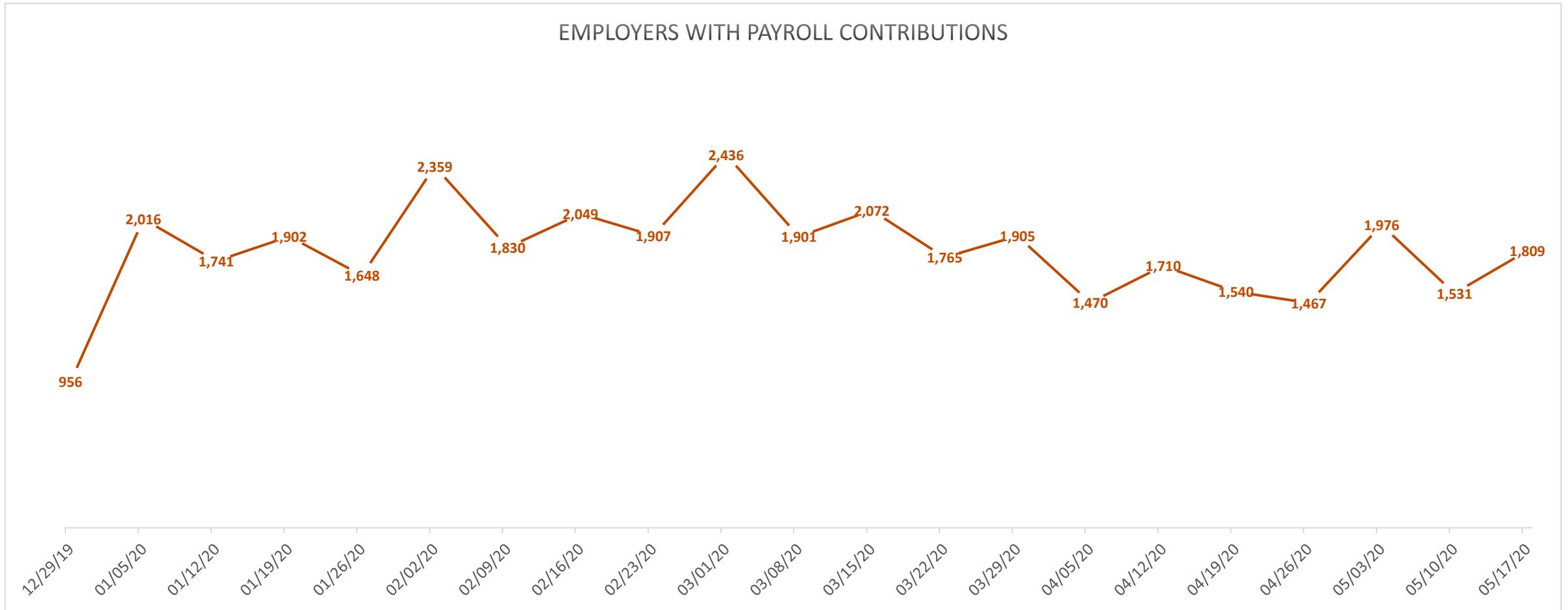
**OREGON
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Employer Trends: What We Are Seeing

EMPLOYERS ADDING EMPLOYEES



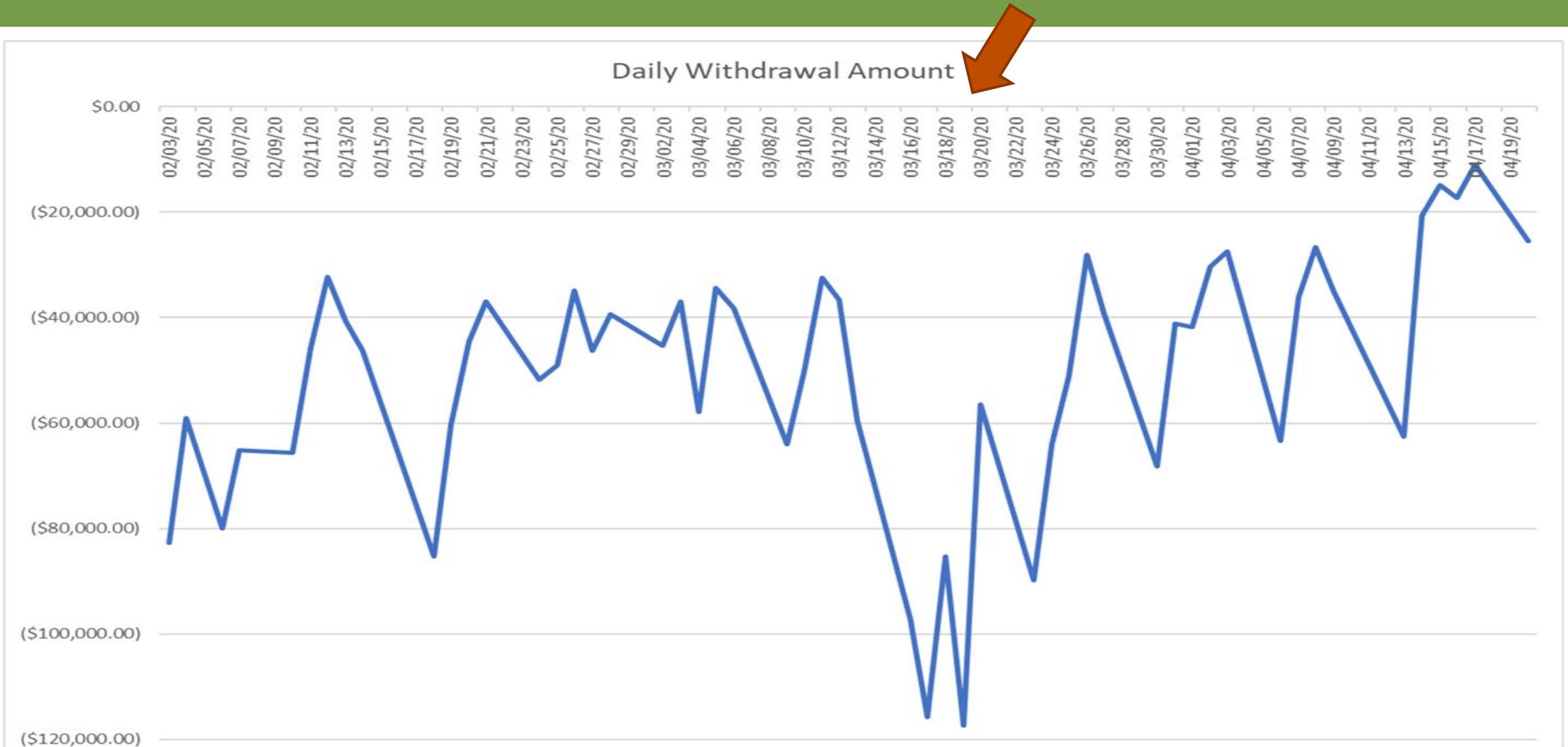
Employer Trends: What We Are Seeing



Employee Behavior

	Withdrawal Transactions		Amount
February	1,860		\$ 1,035,489
March	1,831		\$ 1,309,440
April	1,226		\$ 701,191
May (through the 18th)	383		\$ 234,826

Employee Behavior



What's Next?

Delay roll out of final Wave (1-4 employers)

Soften Compliance

Begin discussions about Emergency Savings

Financial Literacy

Kevin Boyle

Vice President, Workplace Savings Solutions,
Millennium Trust



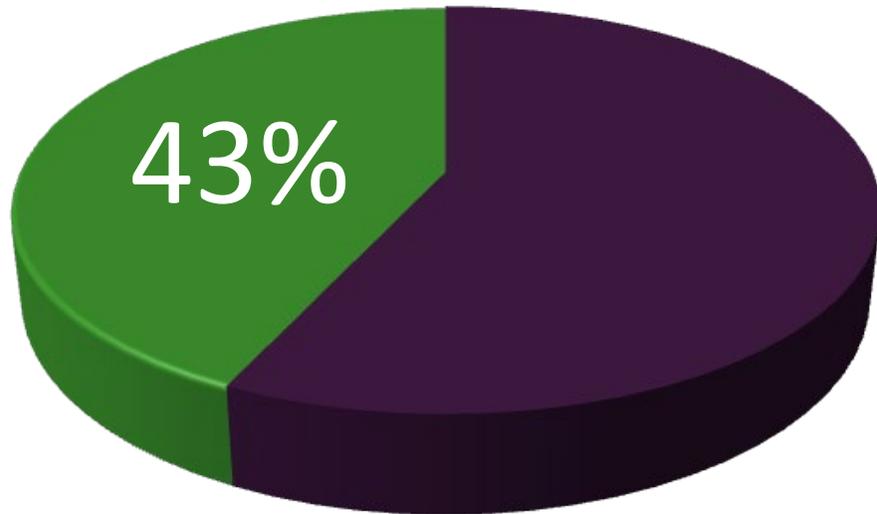
COVID-19 & Beyond: Retirement Savings Access in the Workplace

May 28, 2020

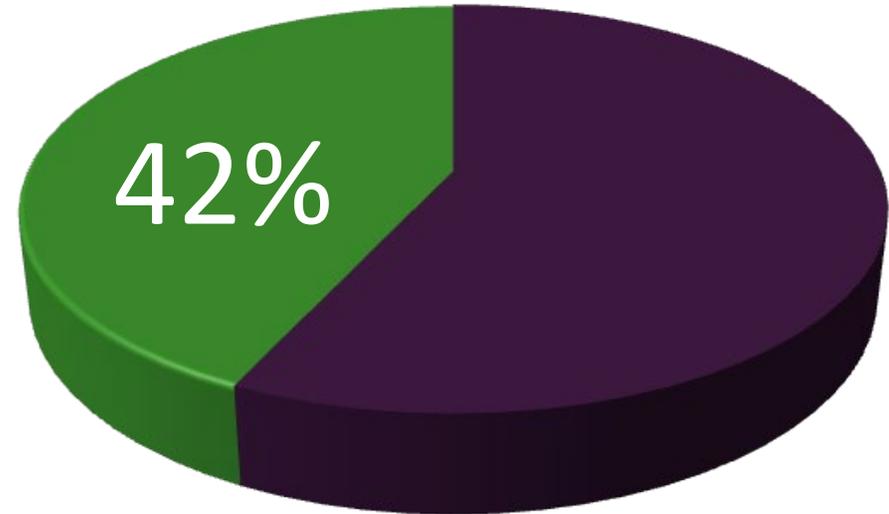
**Kevin Boyles
Vice-President
Workplace Savings Solutions**

Retirement Plan Access: Pre-Pandemic

Employers NOT offering a retirement plan¹



U.S. Workers with no access to a workplace retirement plan²



Small Business Perspectives: Pre-Pandemic



of small businesses that do not offer a retirement savings option have previously researched one.



2 out of 3 that researched a retirement option explored only 401 (k).
100% of them did nothing.

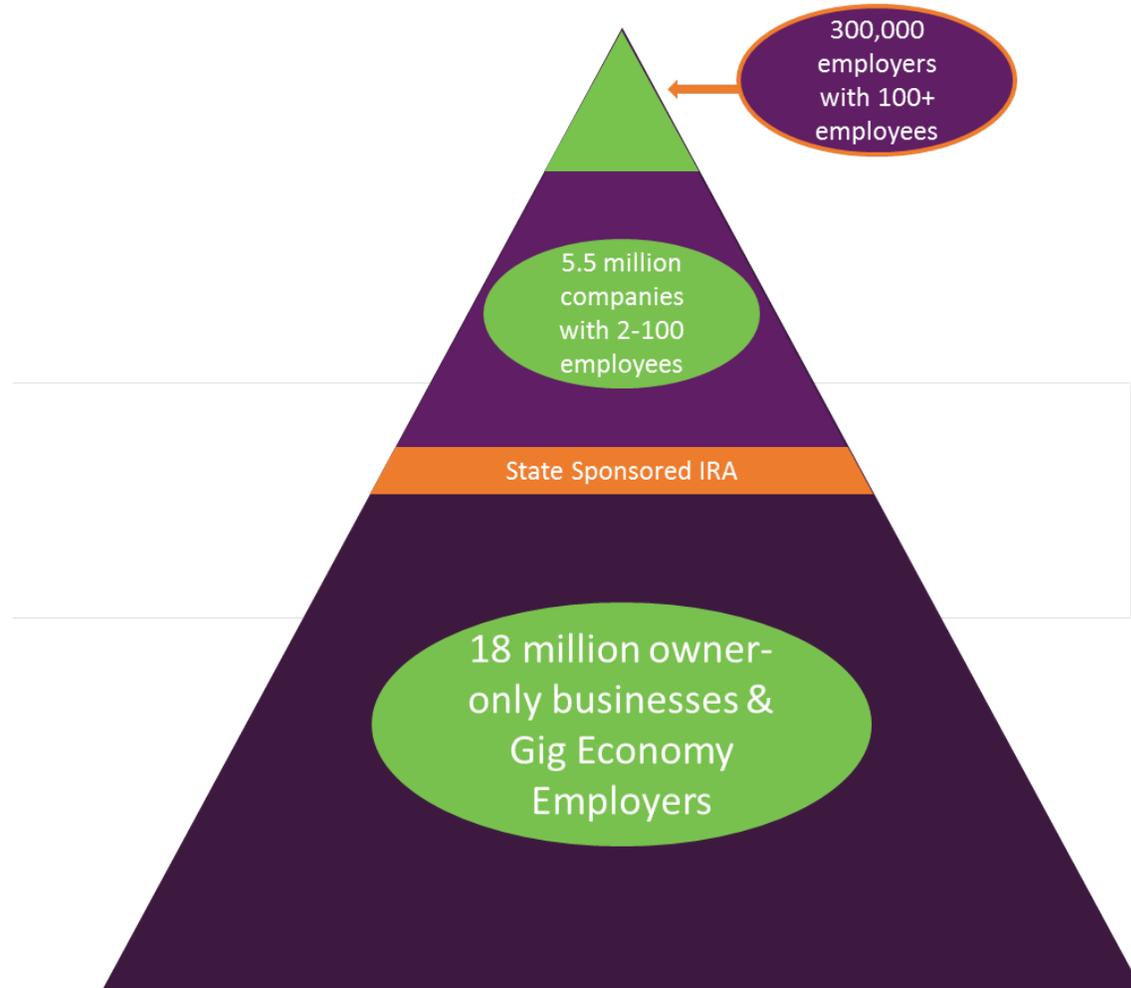


Only **28%** said they had a solid understanding of retirement programs other than 401 (k)s.



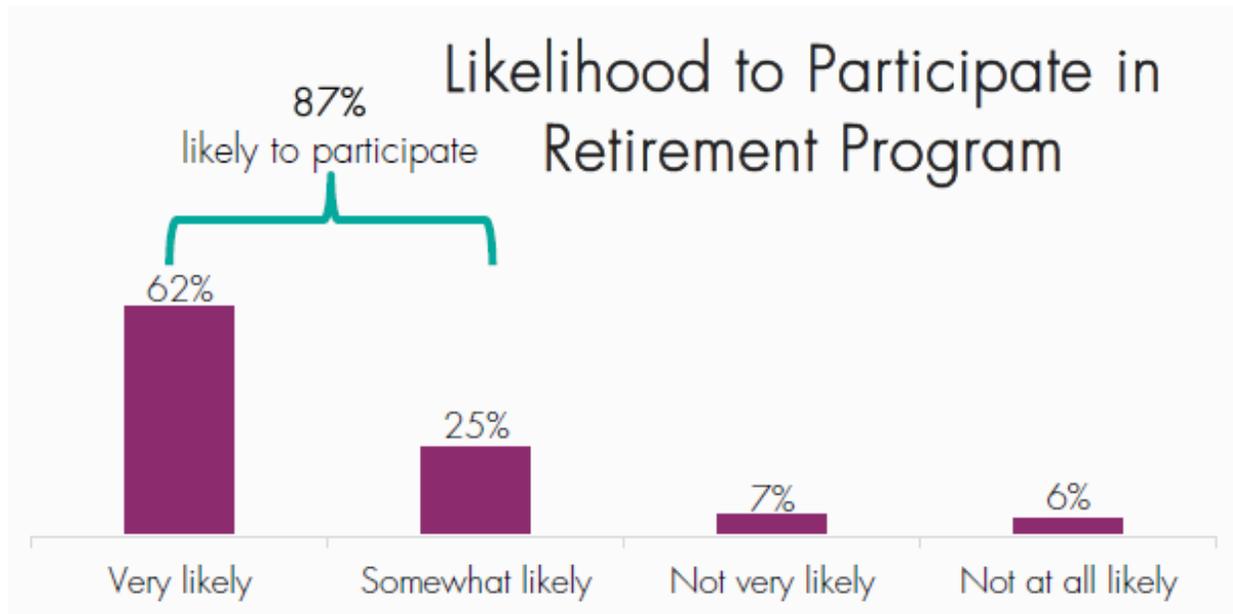
Cost and belief that their business is **too small** are primary reasons they did not offer anything.

The Employer Landscape – Pre-Pandemic



Approximately
600,000
employers offer
401(k) plans

Employee Perspectives: Pre-Pandemic

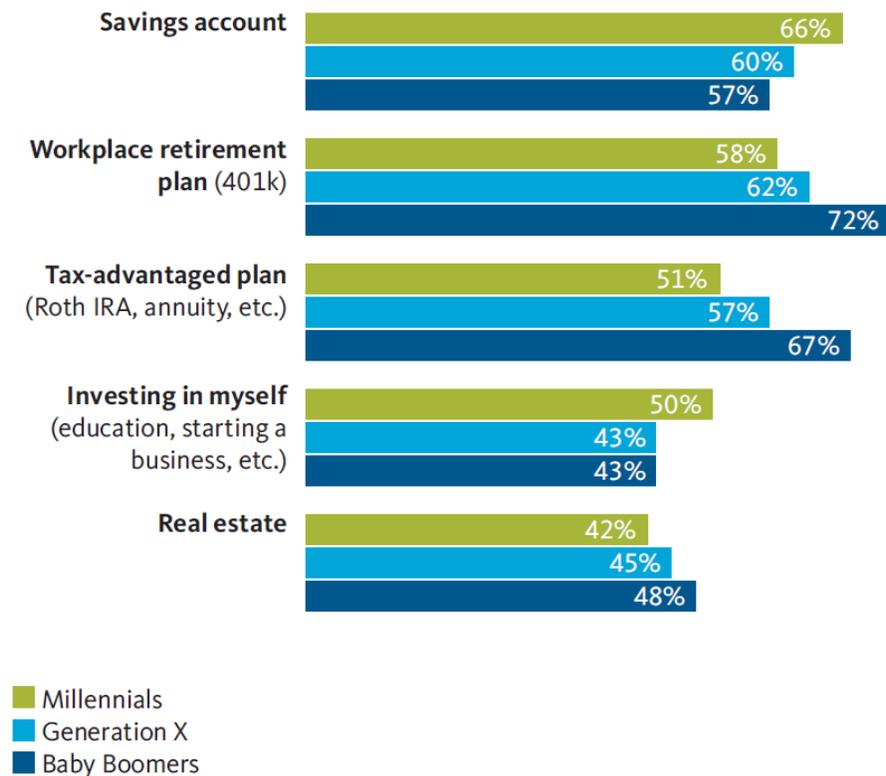


Younger workers are more likely to participate in a program:

- 94% of 18-34 year-olds,
- 89% of 35-54 year-olds,
- 78% of those 55 and older.

Generational Elements of Saving – Pre-Pandemic

Confidence in each method of investing

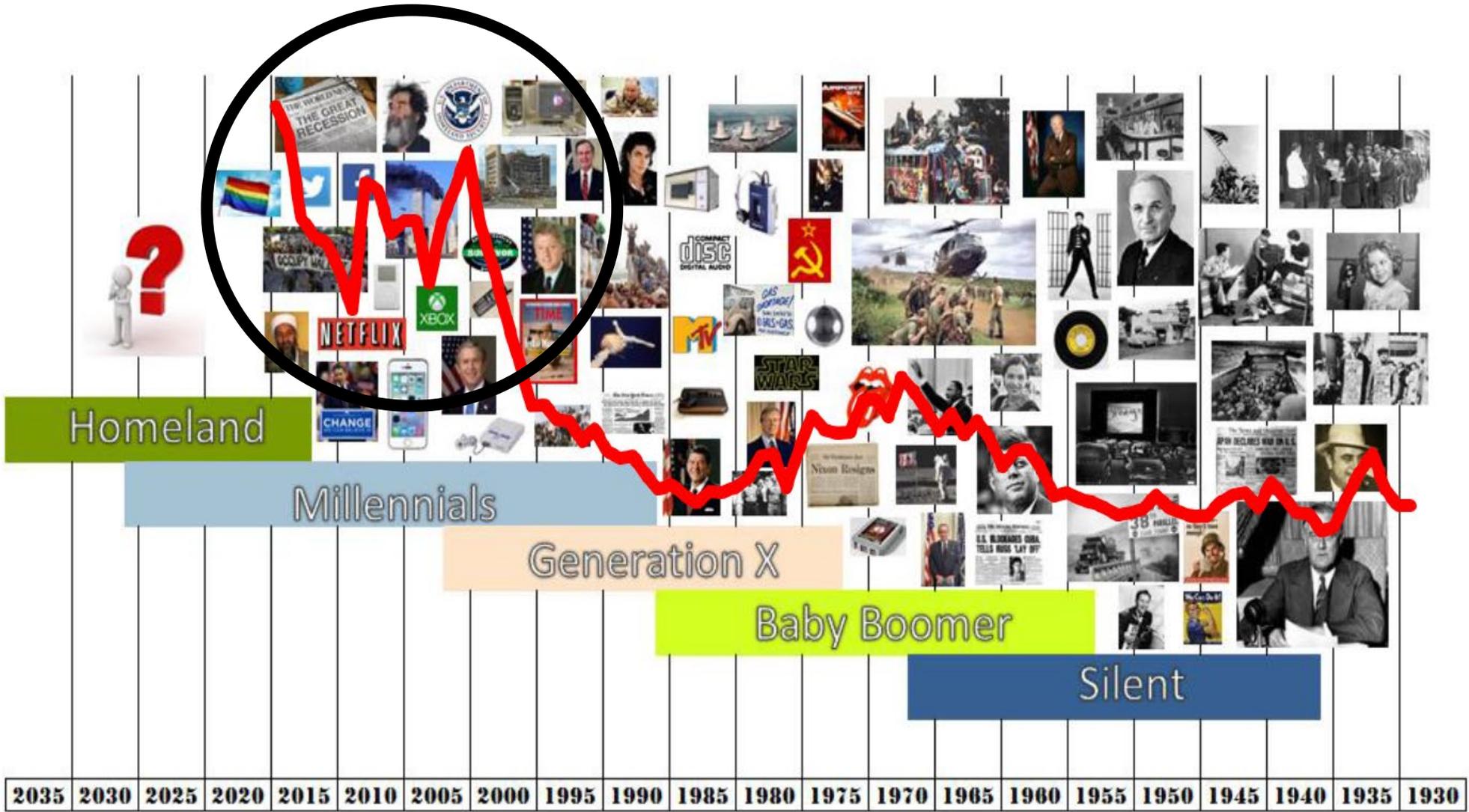


Pre-COVID 19, Millennials were already conservative and skeptical investors/savers.

Generation Z (Homeland) workers are just beginning to enter the workforce.



MILLENNIUM
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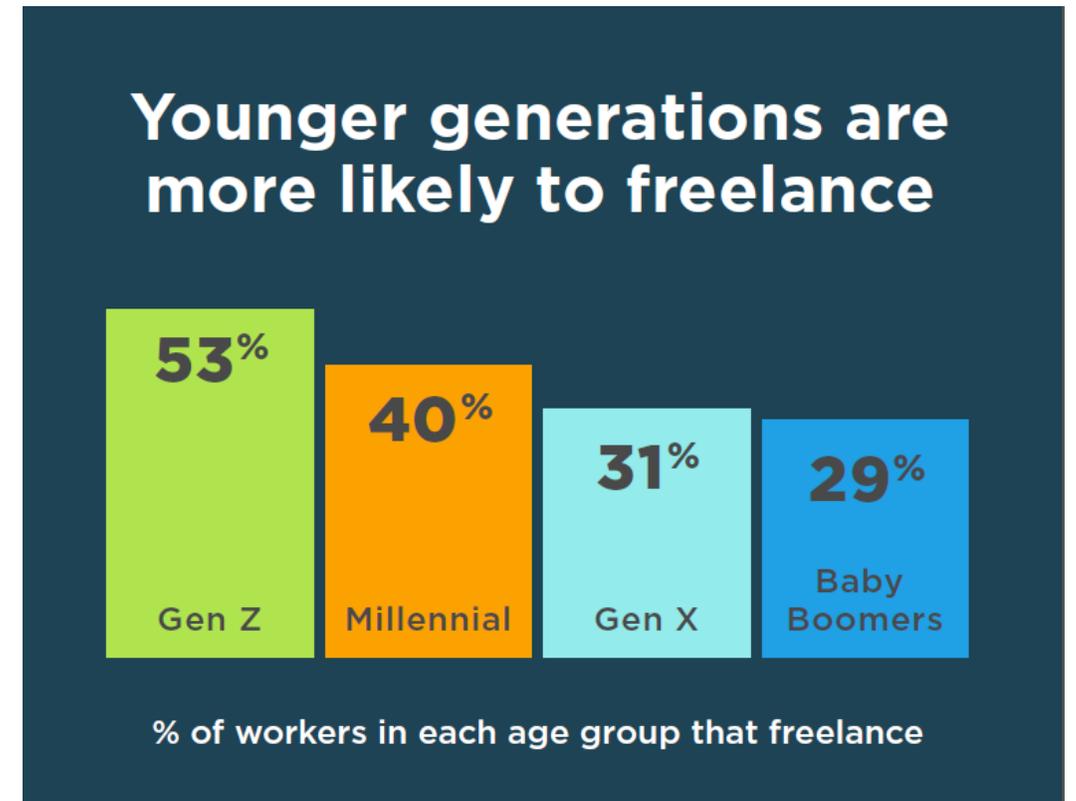


Generational Elements of Saving – Post-Pandemic

- Less discretionary spending
- Where does retirement saving get prioritized with Gen Z & Millennials?
- Length of the financial recession

What Happens With the Gig Economy?

- Pre-COVID 19
 - 28% of gig workers were full-time freelancers
 - 35% of all working Americans did some sort of freelance work in 2018
 - 43% of full-time gig workers were under 34 years old
 - 31% of gig workers earned more than \$75k
- Post-pandemic
 - Economic recovery policy impact
 - Where will company mindsets shift (if at all) on hiring freelance workers?
 - What does workplace retirement savings access look like for gig workers?



Michael Kreps

Principal, Groom Law Group

Retirement Legislation

- SECURE Act
 - Provisions to expand coverage (*e.g.*, pooled employer plans, consolidated reporting, enhanced tax credits)
 - Provisions to enhance retirement income (*e.g.*, lifetime income disclosure, fiduciary safe harbor)
- CARES Act
 - COVID-19 distributions
 - Loan limit increase, repayment suspension
 - Suspension of required minimum distributions

Retirement Legislation

- Do we have a national retirement policy?
 - Congress has embraced defined contribution plans.
 - Congress wants to expand access but is not yet ready to enact universal coverage proposals.
 - 401(k) plans are for more than just retirement.
- What comes next?
 - Potential changes related to the COVID-19 pandemic

Questions?

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