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Closing the Access Gap

State by State Analysis of the Challenges and Benefits of
State-Facilitated Retirement Savings Programs

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Closing the Access Gap | State by State Analysis of the Challenges and Benefits of State-Facilitated Retirement Savings Programs

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Georgetown Center for Retirement Initiatives

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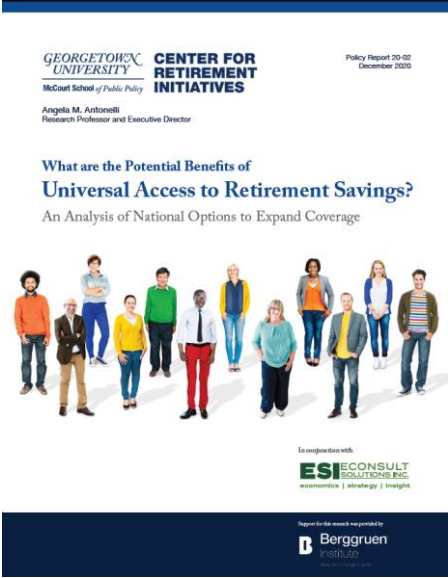
Ethan Conner-Ross

Senior Vice President and Principal
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Closing the Access Gap | State by State Analysis of the Challenges and Benefits of State-Facilitated Retirement Savings Programs

National Analysis



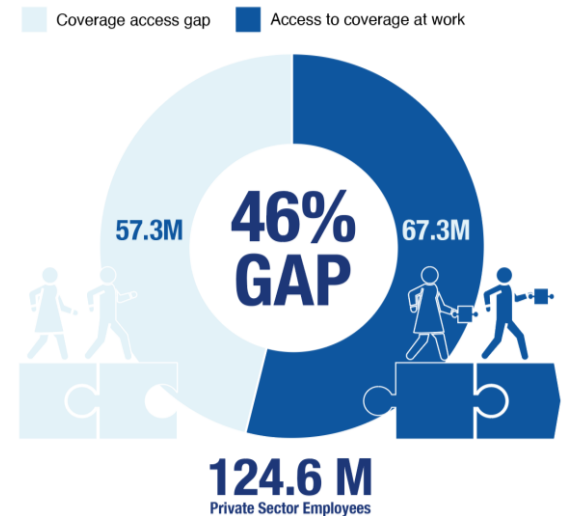
State Analysis



National Analysis: Significant Gap in Access to Retirement Savings Among Private Sector Workers

- US employers are not required to offer a retirement savings plan
- Estimate 46% of the private sector workforce lacks access to workplace retirement savings plans (57.3 million workers in 2020)

More than 57 Million Employees Lack Access to a Retirement Savings Plan in their Workplace (2020)



ESI analysis of Census Bureau Current Population Survey and BLS National Compensation Survey Data.

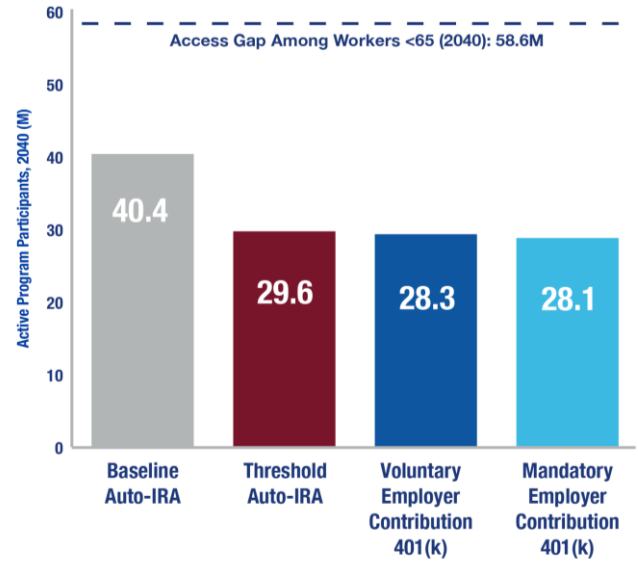
National Analysis: Universal Access Scenarios

- National models analyzed the effect of potential federal policy approaches on coverage and savings through 2040
- Four scenarios considered based on state programs and national legislative proposals
- Scenarios vary the of account (payroll deduction Roth IRA or Roth 401(k)), exemptions for certain small employers, and voluntary versus mandatory employer contributions

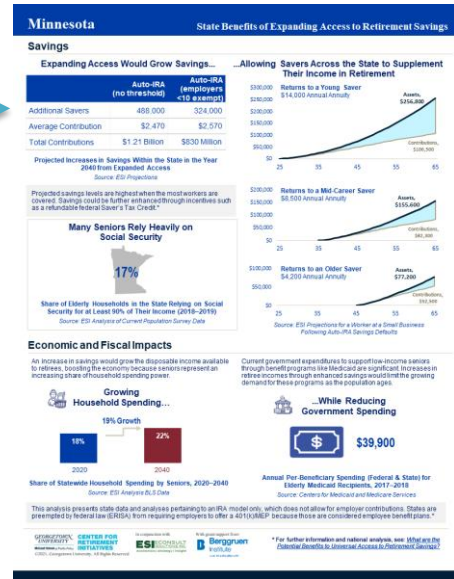
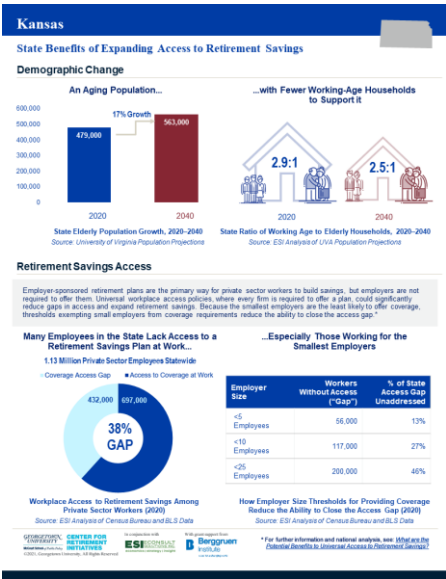
National Analysis: The Potential Benefits of Universal Access to Retirement Savings

- Regardless of the scenario selected, the benefits to savers, retirees, and to the nation can be enormous:
 - Increase the number of workers saving for retirement in the year 2040 by 28–40 million, with participation from about 50–70% of private sector workers who currently lack access;
 - Help a young worker with a modest income who starts saving early and follows program defaults for 40 years to save enough to generate as much as \$14,320 in additional annual income for retirement (increasing to \$21,300 in annual income if eligible to take advantage of a refundable Saver’s Credit);
 - Increase cumulative total retirement savings by \$1.4–\$1.9 trillion by the year 2040

Required Universal Access Can Increase Participation by 50-70% Among Workers Currently Lacking Access



New Research on the State Benefits of Expanding Access



State-Level Analysis

- State-by-state results have been estimated for several key metrics
 - Modeling is consistent with the results and assumptions of the national study
- Metrics presented in four categories:
 - Demographic Change
 - Retirement Savings Access
 - Savings
 - Economic and Fiscal Impacts

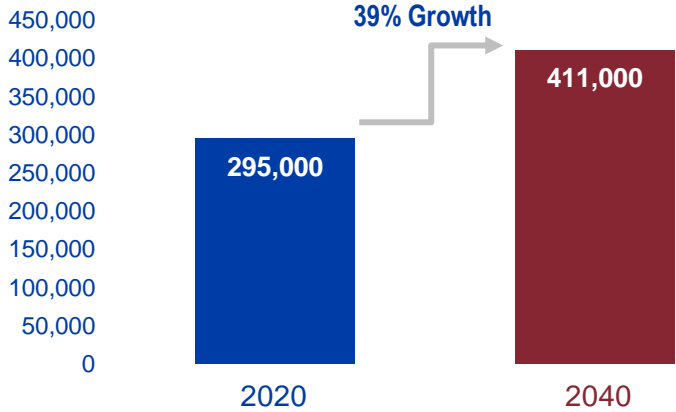
Why is this state analysis focused on the IRA rather than the 401(k)?

Retirement coverage provided through a 401(k) or Multiple-Employer Plan (MEP) approach are considered employee benefit plans under the federal Employee Retirement Income Security Act (ERISA). As a result, states are pre-empted from requiring employers to offer a 401(k)/MEP unless there are changes in national policy, which limits their ability to significantly expand access to retirement savings independently through these vehicles.

State Analysis: Demographic Change

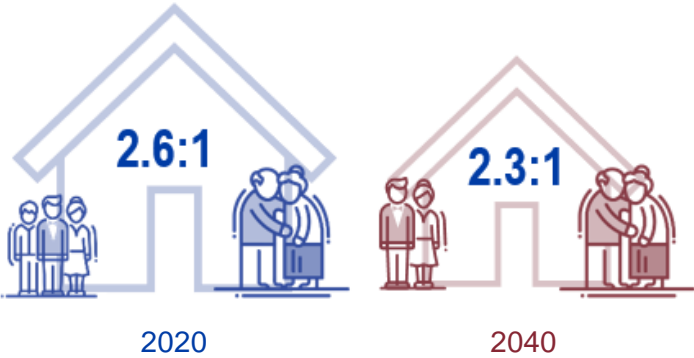
Idaho

An Aging Population...



State Elderly Population Growth, 2020–2040
Source: University of Virginia Population Projections

...With Fewer Working Age Households to Support it

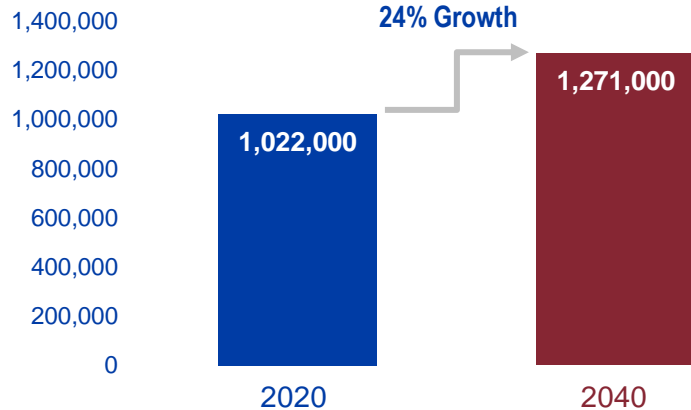


State Ratio of Working Age to Elderly Households, 2020–2040
Source: ESI Analysis of UVA Population Projections

State Analysis: Demographic Change

Wisconsin

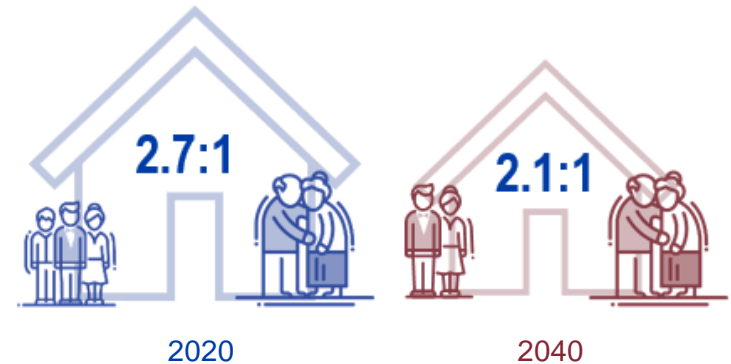
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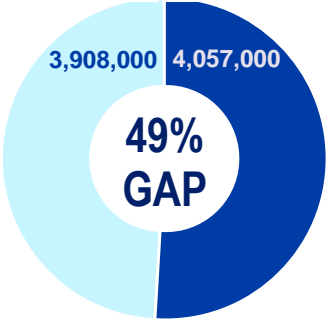
State Analysis: Access to Retirement Savings

New York

Many Employees in the State Lack Access to a Retirement Savings Plan at Work...

7.97 Million Private Sector Employees Statewide

■ Coverage Access Gap ■ Access to Coverage at Work



Workplace Access to Retirement Savings Among Private Sector Workers (2020)

Source: ESI Analysis of Census Bureau and BLS Data

...Especially Those Working for the Smallest Employers

Employer Size	Workers Without Access ("Gap")	% of State Access Gap Unaddressed
<5 Employees	557,000	14%
<10 Employees	1,061,000	27%
<25 Employees	1,729,000	44%

How Employer Size Thresholds for Providing Coverage Reduce the Ability to Close the Access Gap (2020)

Source: ESI Analysis of Census Bureau and BLS Data

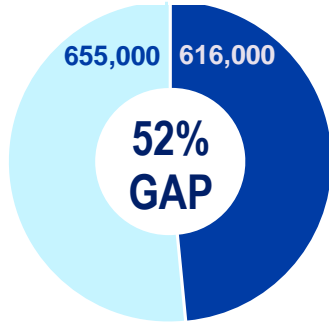
State Analysis: Access to Retirement Savings

Oklahoma

Many Employees in the State Lack Access to a Retirement Savings Plan at Work...

1.27 Million Private Sector Employees Statewide

■ Coverage Access Gap ■ Access to Coverage at Work



Workplace Access to Retirement Savings Among Private Sector Workers (2020)

Source: ESI Analysis of Census Bureau and BLS Data

...Especially Those Working for the Smallest Employers

Employer Size	Workers Without Access ("Gap")	% of State Access Gap Unaddressed
<5 Employees	71,000	11%
<10 Employees	152,000	23%
<25 Employees	269,000	41%

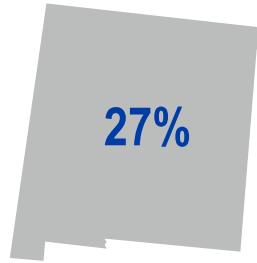
How Employer Size Thresholds for Providing Coverage Reduce the Ability to Close the Access Gap (2020)

Source: ESI Analysis of Census Bureau and BLS Data

State Analysis: Savings

New Mexico

Many Seniors Rely Heavily on Social Security



Share of Elderly Households in the State Relying on Social Security for at Least 90% of Their Income (2018–2019)

Source: ESI Analysis of Current Population Survey Data

Expanding Access Would Grow Savings...

	Auto-IRA (no threshold)	Auto-IRA (employers <10 exempt)
Additional Savers	199,000	147,000
Average Contribution	\$2,190	\$2,300
Total Contributions	\$440 Million	\$340 Million

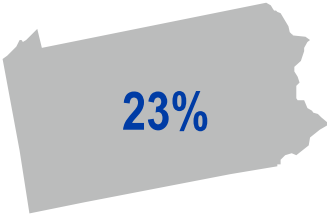
Projected Increases in Savings Within the State in the Year 2040 from Expanded Access

Source: ESI Projections

State Analysis: Savings

Pennsylvania

Many Seniors Rely Heavily on Social Security



Share of Elderly Households in the State Relying on Social Security for at Least 90% of Their Income (2018–2019)

Source: ESI Analysis of Current Population Survey Data

Expanding Access Would Grow Savings...

	Auto-IRA (no threshold)	Auto-IRA (employers <10 exempt)
Additional Savers	1,195,000	851,000
Average Contribution	\$2,530	\$2,650
Total Contributions	\$3.03 Billion	\$2.25 Billion

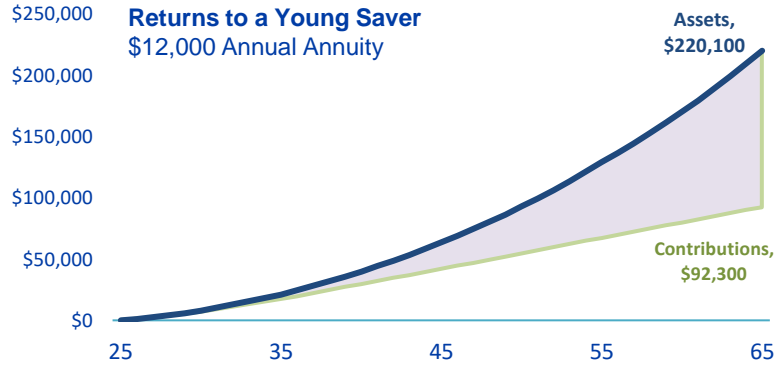
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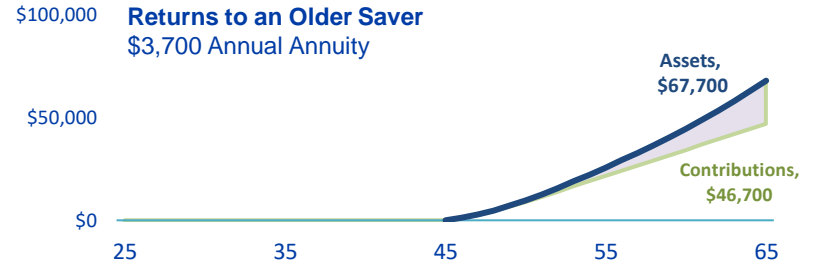
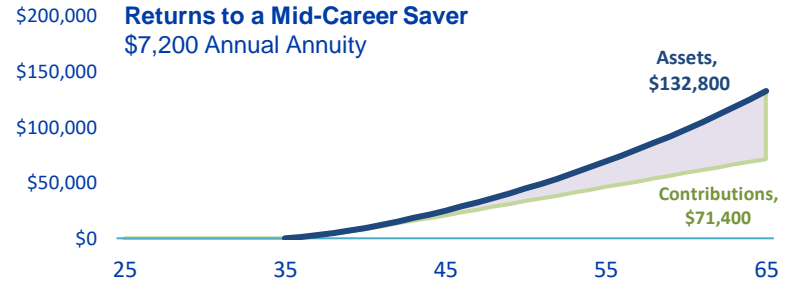
State Analysis: Representative Savers

Maine

...Allowing Savers Across the State to Supplement Their Income in Retirement



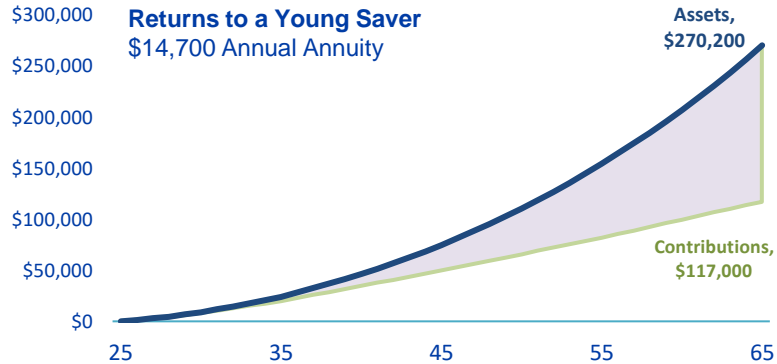
Source: ESI Projections for a Worker at a Small Business Following Auto-IRA Savings Defaults



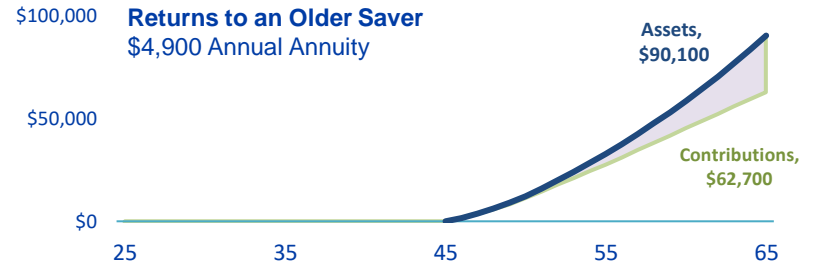
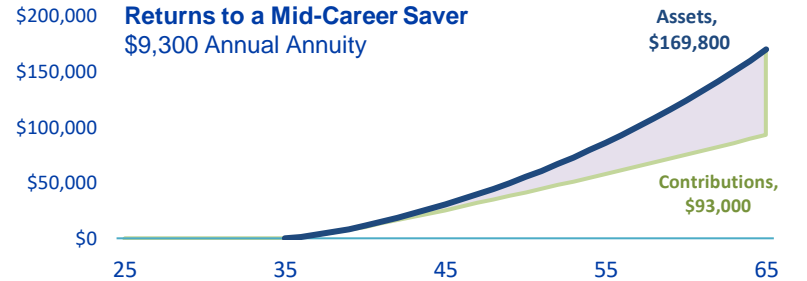
State Analysis: Representative Savers

Rhode Island

...Allowing Savers Across the State to Supplement Their Income in Retirement



Source: ESI Projections for a Worker at a Small Business Following Auto-IRA Savings Defaults

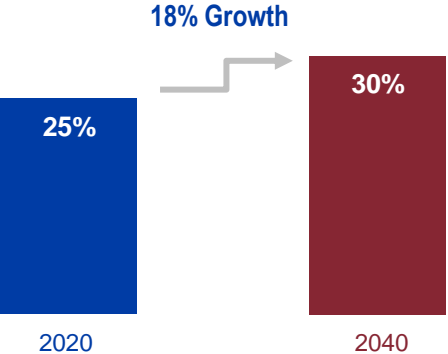


State Analysis: Economic and Fiscal Impacts

Delaware



Growing Household Spending...



Share of Statewide Household Spending by Seniors, 2020–2040

Source: ESI Analysis BLS Data



...While Reducing Government Spending



\$21,500

Annual Per-Beneficiary Spending (Federal & State) for Elderly Medicaid Recipients, 2017–2018

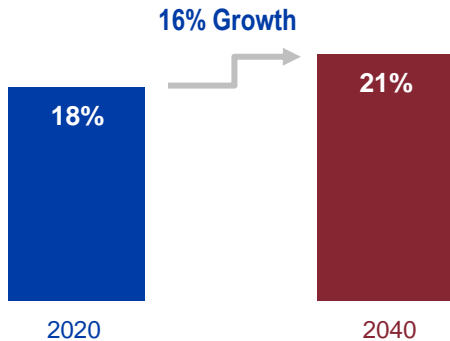
Source: Centers for Medicaid and Medicare Services

State Analysis: Economic and Fiscal Impacts

Utah



Growing Household Spending...



Share of Statewide Household Spending by Seniors, 2020–2040

Source: ESI Analysis BLS Data



...While Reducing Government Spending

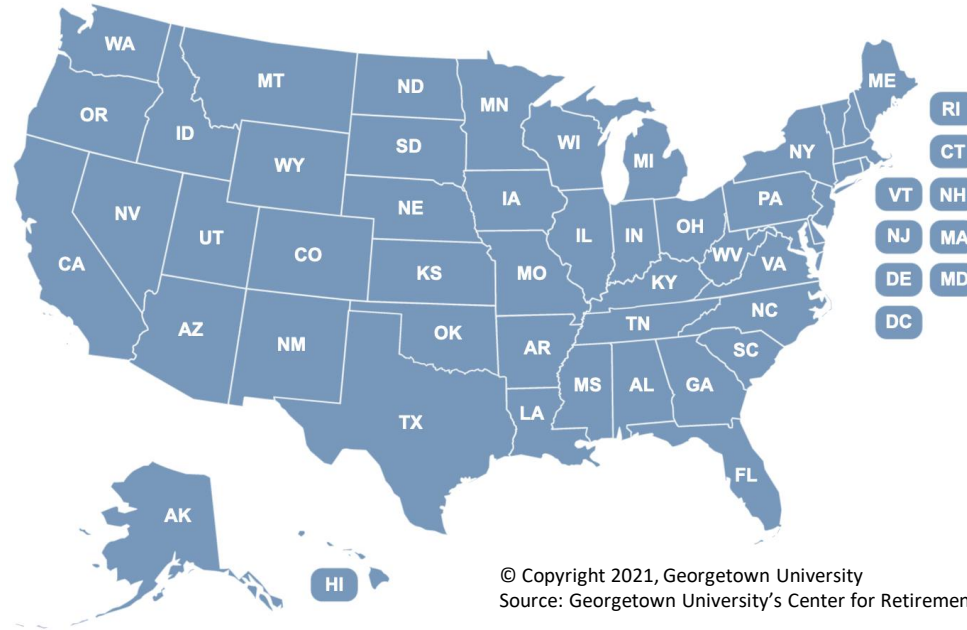


\$19,600

Annual Per-Beneficiary Spending (Federal & State)
for Elderly Medicaid Recipients, 2017–2018

Source: Centers for Medicaid and Medicare Services

State-Level Analysis: State Profiles – Interactive Map



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Source: Georgetown University's Center for Retirement Initiatives

State-Level Analysis: Tables and Rankings

Private Sector Workers without Access to Coverage, 2020

State	Private Sector Employment	Workers with Access to Coverage	Workers Without Access ("Gap")	Access Gap %
United States	124,588,000	67,647,000	56,941,000	46%
Alabama	1,600,000	873,000	727,000	45%
Alaska	230,000	123,000	107,000	46%
Arizona	2,545,000	1,247,000	1,298,000	51%
Arkansas	1,011,000	513,000	497,000	49%
California	15,011,000	7,458,000	7,553,000	50%
Colorado	2,294,000	1,364,000	930,000	41%
Connecticut	1,416,000	747,000	668,000	47%
Delaware	378,000	231,000	147,000	39%
Florida	7,832,000	3,366,000	4,466,000	57%

Ranked: Private Sector Access Gap Percentage, 2020

Rank	State	Private Sector Employment	Workers with Access to Coverage	Workers Without Access ("Gap")	Access Gap %
1	Florida	7,832,000	3,366,000	4,466,000	57.0%
2	Texas	10,635,000	4,969,000	5,666,000	53.3%
3	Utah	1,273,000	607,000	666,000	52.3%
4	Mississippi	889,000	426,000	463,000	52.0%
5	Idaho	623,000	301,000	322,000	51.6%
6	Oklahoma	1,271,000	616,000	655,000	51.5%
7	Arizona	2,545,000	1,247,000	1,298,000	51.0%
8	California	15,011,000	7,458,000	7,553,000	50.3%
9	Georgia	3,842,000	1,912,000	1,929,000	50.2%
10	New Mexico	655,000	330,000	324,000	49.6%

Source: ESI Analysis of Census Bureau and BLS Data

State-Level Analysis: Tables and Rankings

Share of Elderly Households with >90% of Income from Social Security, 2018-2019

State	Share High Reliance on Social Security	Rank	State	Share High Reliance on Social Security
United States	23%			
Alabama	30%	1	Mississippi	36%
Alaska	13%	2	Arkansas	35%
Arizona	21%	3	Alabama	30%
Arkansas	35%	4	Nebraska	29%
California	22%	5	Kentucky	29%
Colorado	20%	6	West Virginia	28%
Connecticut	19%	7	Oklahoma	28%
Delaware	21%	8	Tennessee	28%
Florida	26%	9	Louisiana	28%
Georgia	26%	10	North Carolina	28%

Source: ESI Analysis of Current Population Survey Data

State-Level Analysis: Key Takeaways

- Too many have too little saved for retirement
 - Heavy reliance on Social Security, which is intended to be supplemented by pensions / private savings
- An aging population increases the urgency
 - Implications for quality of life for future retirees, economic vitality, and government expenditures
- Enhancing access can grow participation and savings
 - Through consistent contributions, savers with modest incomes can generate material private assets to supplement Social Security in their retirement years
 - Reducing the demand for benefit programs reduces government expenditure growth over time
- Policy design is key
 - Auto-enrollment and auto-escalation build participation and savings
 - Thresholds exempting small employers from coverage requirements reduce the ability to close the access gap

QUESTIONS?

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