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**CENTER FOR
RETIREMENT
INITIATIVES**

The Need and Benefit of
State-Facilitated Retirement Savings Programs

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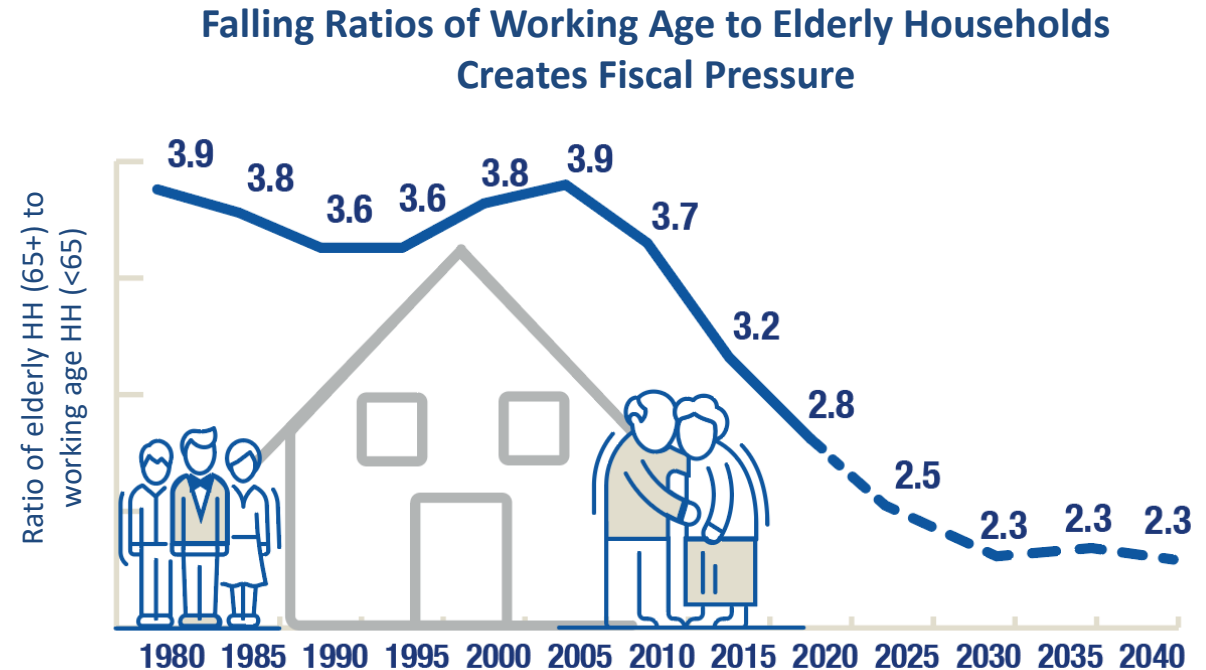
An Aging Population That's Living Longer

- 10,000 Americans are turning 65 every day from now until 2030
- By 2029, more than 20% of the U.S. population will be over the age of 65 (U.S. Census)
- Nearly a quarter of today's 65-year-olds will live past age 90 (Social Security Administration)
- A baby born in 2007 in the U.S. is expected to live to age 104 (World Economic Forum)
- **If you retire at age 65, you may need to have savings, pensions and other resources from your working life (40+ years) to generate enough income for another 20-30 years once you stop working**
- **Between 2020 and 2040, the U.S. will see an 14% growth in its total population and a 32% growth in the 65+ population**
- Significant increases in the number of those over the age of 65 (63% growth past decade) and over the age of 75 (93% growth over next decade) who will continue to work



An Aging Population Increases the Urgency

- Senior households are growing in number and share of the population
- Increasing fiscal pressure from a decreasing share of working age households
- Generational shifts by 2040: Millennials and Gen Z will be in prime working years (30-60) and need to save for retirement



ESI analysis of US Census Bureau data and University of Virginia Population Projections.

Source: Antonelli (2020). "What are the Potential Benefits of Universal Access to Retirement Savings?" Georgetown University Center for Retirement Initiatives in conjunction with Econsult Solutions, Inc.

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The Challenge - Ohio's Aging Population Unprepared for Retirement

Ohio

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)

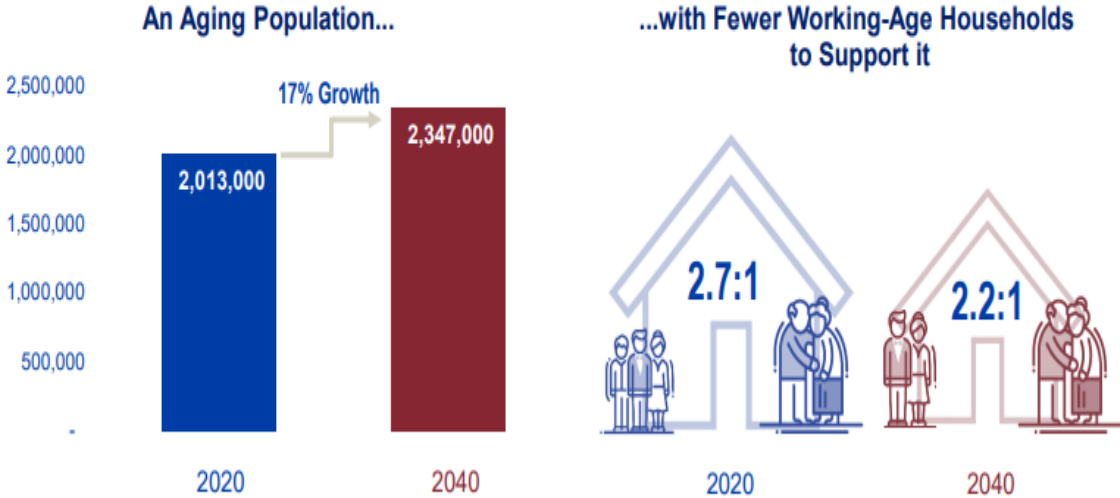
Source: ESI Analysis of Current Population Survey Data

Ohio



State Benefits of Expanding Access to Retirement Savings

Demographic Change



State Elderly Population Growth, 2020–2040

Source: University of Virginia Population Projections

State Ratio of Working Age to Elderly Households, 2020–2040

Source: ESI Analysis of UVA Population Projections

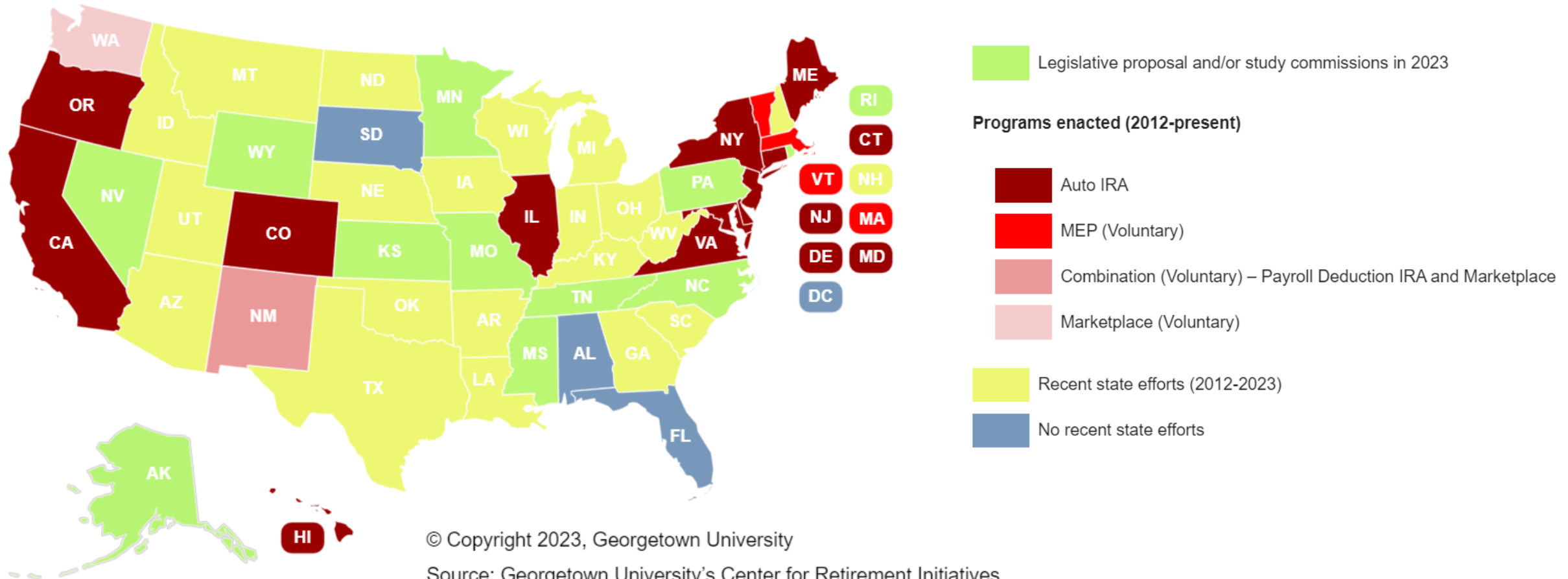
Source: Antonelli (2020). "What are the Potential Benefits of Universal Access to Retirement Savings?" Georgetown University Center for Retirement Initiatives in conjunction with Econsult Solutions, Inc. © 2022, Georgetown University

Future Generations Unprepared for Retirement

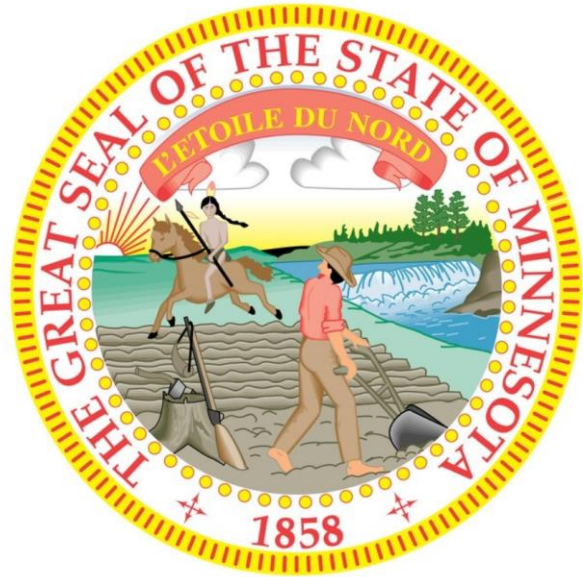
Lack of Access, Significant Debt Among Contributing Factors

Near or at retirement	Millennials	Women
<ul style="list-style-type: none"> • 55% of households ages 55-64 had less than \$25,000 in retirement savings and 41% had \$0 • 27% have neither DB plan or retirement savings • Debt held by Americans over 60 is now \$3.9 trillion, up from \$2.3 trillion a decade ago, and an \$800 billion increase in just the past 4 years. • The number of consumers over 60 with student loan debt quadrupled between 2005 and 2015, from 700,000 to 2.8 million <p><i>Sources: U.S. GAO; Federal Reserve Bank of New York; Consumer Financial Protection Bureau</i></p>	<ul style="list-style-type: none"> • 66% of millennial workers have nothing saved for retirement • 54% of the \$1.58 trillion in outstanding student loan debt is held by those 39 and under (which means 40+ carrying student loan debt) • Those entering the workforce with \$30,000 in student loan debt risk ending up with \$325,000 less in retirement. The average student debt in 2015 was \$33,000 <p><i>Sources: NIRS; ValuePenguin; LIMRA</i></p>	<ul style="list-style-type: none"> • Account for 47% of the workforce, but almost two-thirds of part-time workers, often with fewer benefits • Career disruptions due to family caregiving results in lost income and ability to grow retirement savings • 41% drop in household income after divorce or separation near retirement, compared to a 23% drop for men • Nearly half of elderly unmarried women receiving Social Security relied on it for 90%+ of income, compared to 22% of all seniors <p><i>Sources: DOL; U.S. GAO; SSA</i></p>

2023 State Programs and Legislative Action



2023 State Action – 2 New States & 3 New Programs....So Far



Minnesota
New State Program
Auto-IRA



Vermont
Changed Program
From MEP to Auto-IRA



Missouri
New State Program
MEP 401(k)

States Are Driving Change by Designing and Adopting Universal Access Retirement Savings Programs

Recognizing the significant fiscal and economic costs of doing nothing, states across the country have initiated a variety of efforts

State Facilitated Retirement Savings Program Models Adopted to Date

Auto-IRA	Voluntary IRA	Voluntary Marketplace	Voluntary Open Multiple Employer Plan (MEP)
<p>California (Active)</p> <p>Colorado (Active)</p> <p>Connecticut (Active)</p> <p>Delaware</p> <p>Hawaii</p> <p>Illinois (Active)</p> <p>Maine</p> <p>Maryland (Active)</p> <p>Minnesota</p> <p>New Jersey</p> <p>New York</p> <p>Oregon (Active)</p> <p>Vermont</p> <p>Virginia</p>	<p>New Mexico</p>	<p>New Mexico</p> <p>Washington (Active)</p>	<p>Massachusetts (Active)</p> <p>Missouri</p>

	OregonSaves ¹	Illinois Secure Choice ²	CalSavers ³	MyCTSavings ⁴		
Program Design	Account Type	Roth IRA (traditional option available)	Roth IRA (traditional option available)	Roth IRA (traditional option available)	Roth IRA (traditional option available)	
	Employer Threshold	Employers that do not currently offer qualified plans	Employers with 5 or more employees in business for at least two years that have not offered a qualified plan in the last two years	As of 1/1/2023 all employers that do not currently offer qualified plans	Employers with at least 5 employees that currently do not provide qualified plans	
	Default Contribution	5%, automatically increasing 1% annually until reaching 10%	5%, automatically increasing 1% annual until reaching 10%	5%, automatically increasing 1% annually until reaching 8%	3%	
	Default Investment	Funds for the first 30 days held in a capital preservation fund, then defaulted into a target date fund (or other selected investment).	Funds for the first 90 days after initial contribution held in a money market fund, then defaulted into a target date fund (or other selected investment).	Funds for the first 30 days after initial contribution held in a money market fund, then defaulted into a target date fund (or other selected investment).	Funds for the first 60 days after initial contribution held in a money market fund, then defaulted into a target date fund (or other selected investment).	
Program Data⁵	Total Assets (millions \$)	\$194.5	\$117.0	\$501.2	\$4.3	<i>Across all 4 programs as of 4/30/23</i> \$817.0 million Total Assets 670,979 Funded Accounts 151,861 Employers Registered
	Average Contribution Rate	6.5%	5.90%	5.16%	3.31%	
	Average Monthly Contribution	\$168	\$135	\$174	\$105	
	Funded Accounts	116,383	122,481	420,734	11,381	
	Average Funded Account Balance	\$1,671	\$955	\$1,191	\$380	
	Employers Registered	220,413	9,610	117,910	3,928	

- All three programs launched an initial pilot program before official statewide launch.
- Employers always have the option to select a qualified plan in the private market.
- Employees may opt out, choose to save to a traditional IRA, or change their contribution level or investment fund option at any time.

Benefits of Expanding Access in Ohio

Workers Will Save, Spend Retirement Income, and Rely Less on Government Spending

Ohio State Budget

Savings

Expanding Access Would Grow Savings...

	Auto-IRA (no threshold)	Auto-IRA (employers <10 exempt)
Additional Savers	908,000	647,000
Average Contribution	\$2,300	\$2,380
Total Contributions	\$2.08 Billion	\$1.54 Billion

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

Source: ESI Projections

Ohio

Economic and Fiscal Impacts

An increase in savings would grow the disposable income available to retirees, boosting the economy because seniors represent an increasing share of household spending power.



Growing Household Spending...

16% Growth



Share of Statewide Household Spending by Seniors, 2020–2040

Source: ESI Analysis BLS Data

Current government expenditures to support low-income seniors through benefit programs like Medicaid are significant. Increases in retiree incomes through enhanced savings would limit the growing demand for these programs as the population ages.



...While Reducing Government Spending



\$21,300

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

Source: Centers for Medicaid and Medicare Services

Source: Antonelli (2020). "What are the Potential Benefits of Universal Access to Retirement Savings?" Georgetown University Center for Retirement Initiatives in conjunction with Econsult Solutions, Inc.
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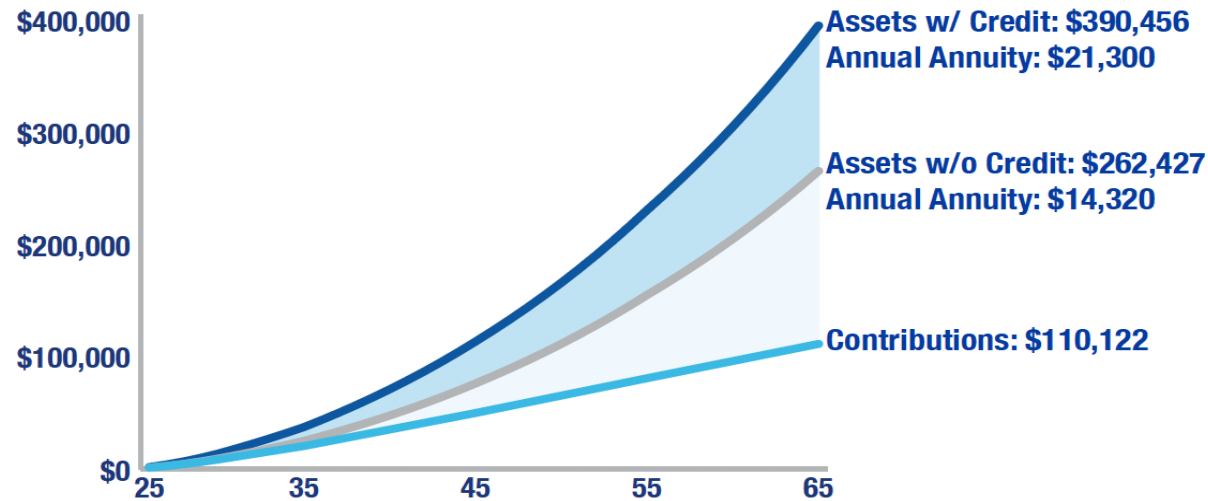
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Can Saving a Modest Amount Make a Difference? YES!

Starting Sooner and Saving Longer Improves Retirement Outcomes

By starting to save early through simple, automatic and consistent contributions, workers with average earnings levels will have the opportunity to build substantial private savings levels to increase their retirement incomes & supplement Social Security or help to defer starting Social Security (and boost benefits).

Figure 2.4: An Enhanced Saver's Credit Increases Lifetime Returns to a Young Auto-IRA Saver



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Reaching Workers by Reaching Employers

Employer Thresholds Have Significant Impacts on the Number of Workers Who Gain Access

Ohio

Employer Size	Workers Without Access ("Gap")	% of State Access Gap Unaddressed
<5 Employees	179,000	11%
<10 Employees	405,000	26%
<25 Employees	721,000	46%

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