

Beyond Finger-Pointing: What's Washington Doing About Retirement?

CFA Society of New York – Putting Beneficiaries First
US Retirement & Entitlement Crises
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Is there a retirement crisis?

No

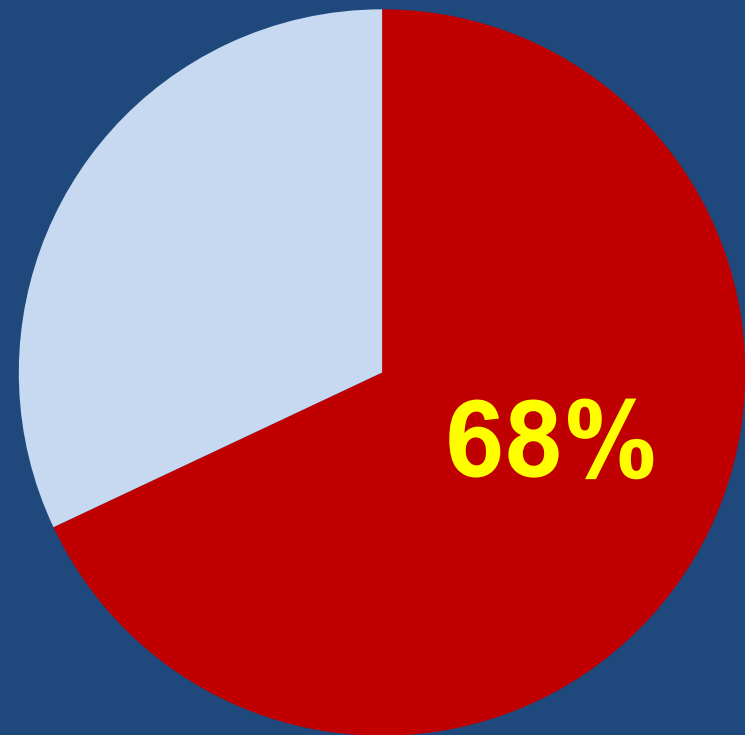
- People are working longer (but only some)
- Current retirees are happy
- More people have retirement accounts than had pensions
- AUM is growing faster than GDP

Hell Yes

- They're living *much* longer (but only some)
- Future retirees are worried
- But retirement accounts don't do what pensions do
- ROI lower & likely to remain so

Today more people are worried about retirement than other economic concerns

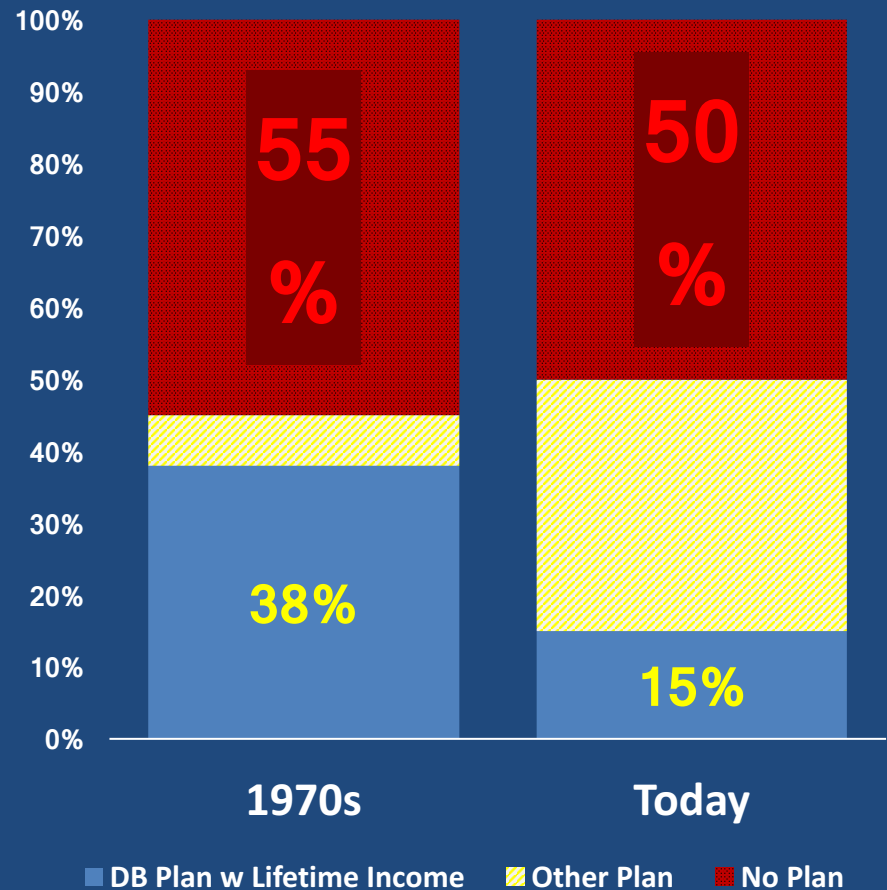
- **Workers living longer, but half have little/no retirement savings.**
- **They plan to work longer, but many cannot.**
- **Retirement concerns have topped list of economic concerns since 2000**



■ Worried about Retirement

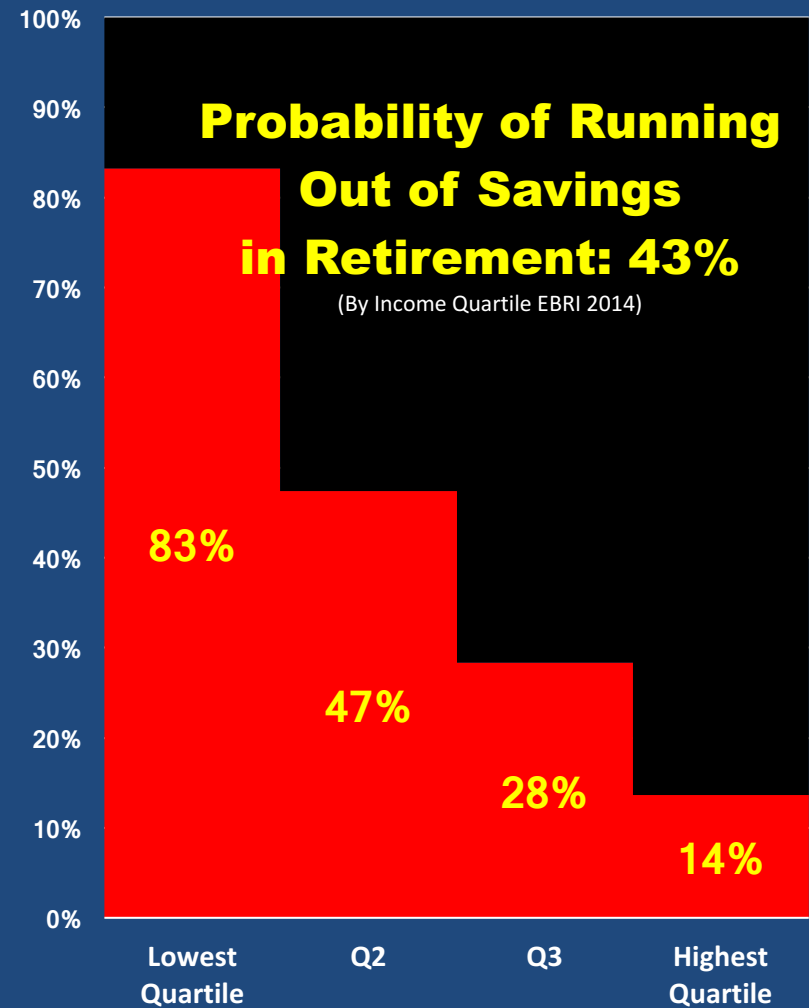
Coverage: Is a half-full glass enough?

- Coverage has probably improved, but absent Social Security expansion or adequate LTC, is having ~40% uncovered satisfactory?
- Lifetime income protection is an endangered species.

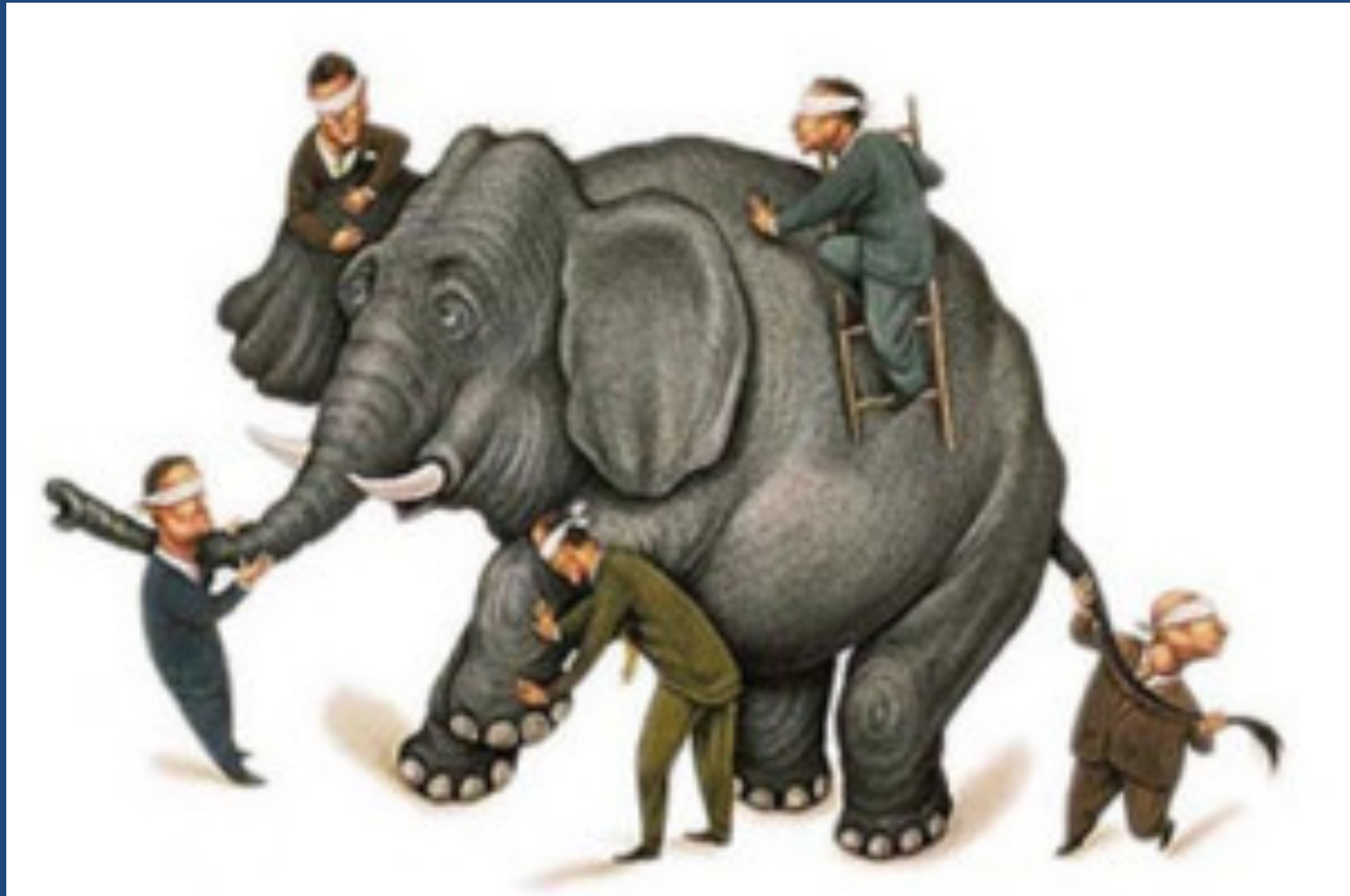


How many will exhaust their savings? EBRI: 43%

- Some will lower their living standards
- Some will have medical emergencies



Experts have well-founded views about retirement



One Blind Man's View of Retirement

People & Institutions

trying to catch up to

demography & technology

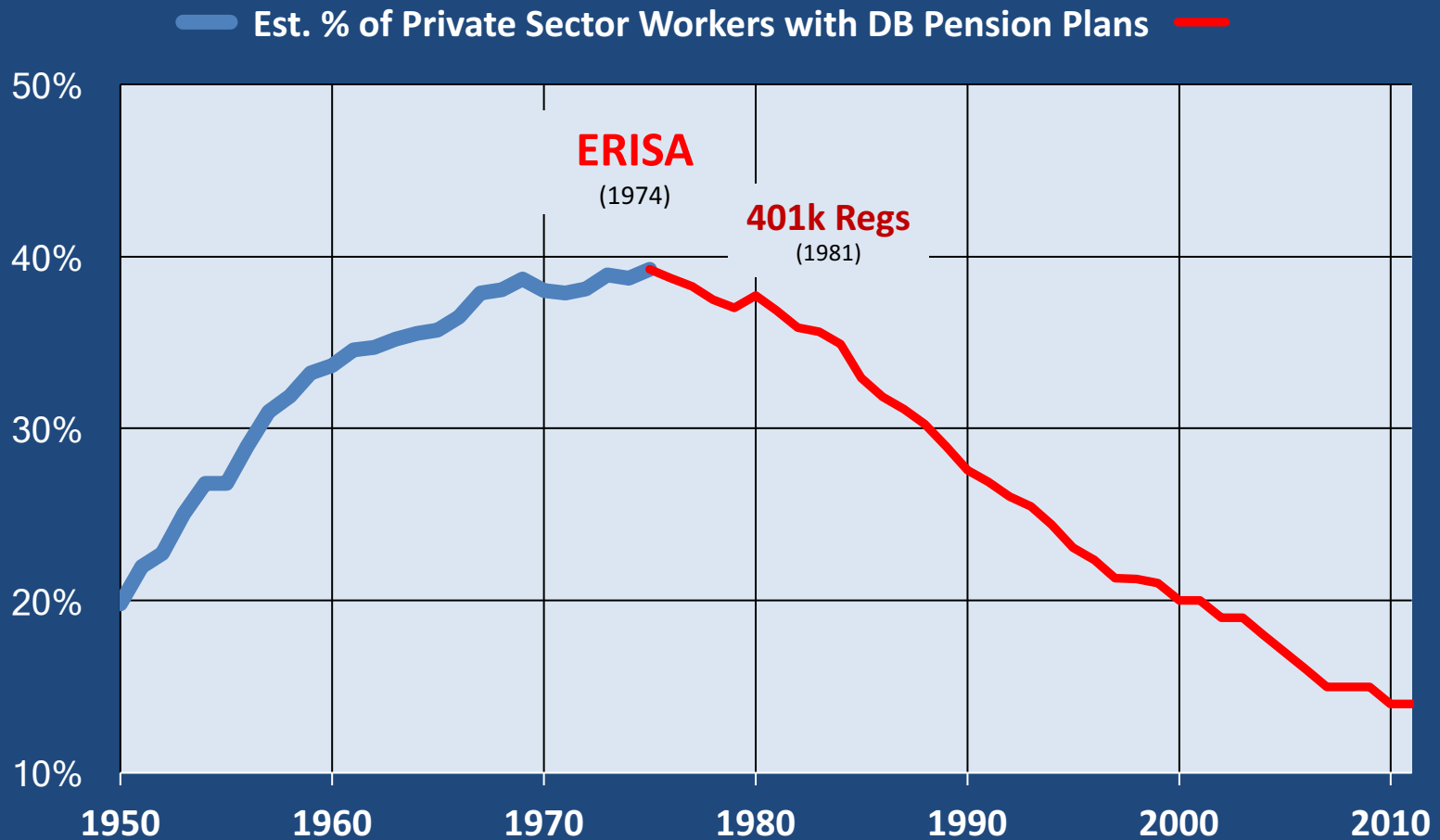
A Brief History of Retirement Programs

19 th C	Old Age Pensions
1930's	Social Security
1960's	Medicare
1974	ERISA
1980s	401(k)s
2006	Pension "Protection" Act

Washington's track record is not impressive

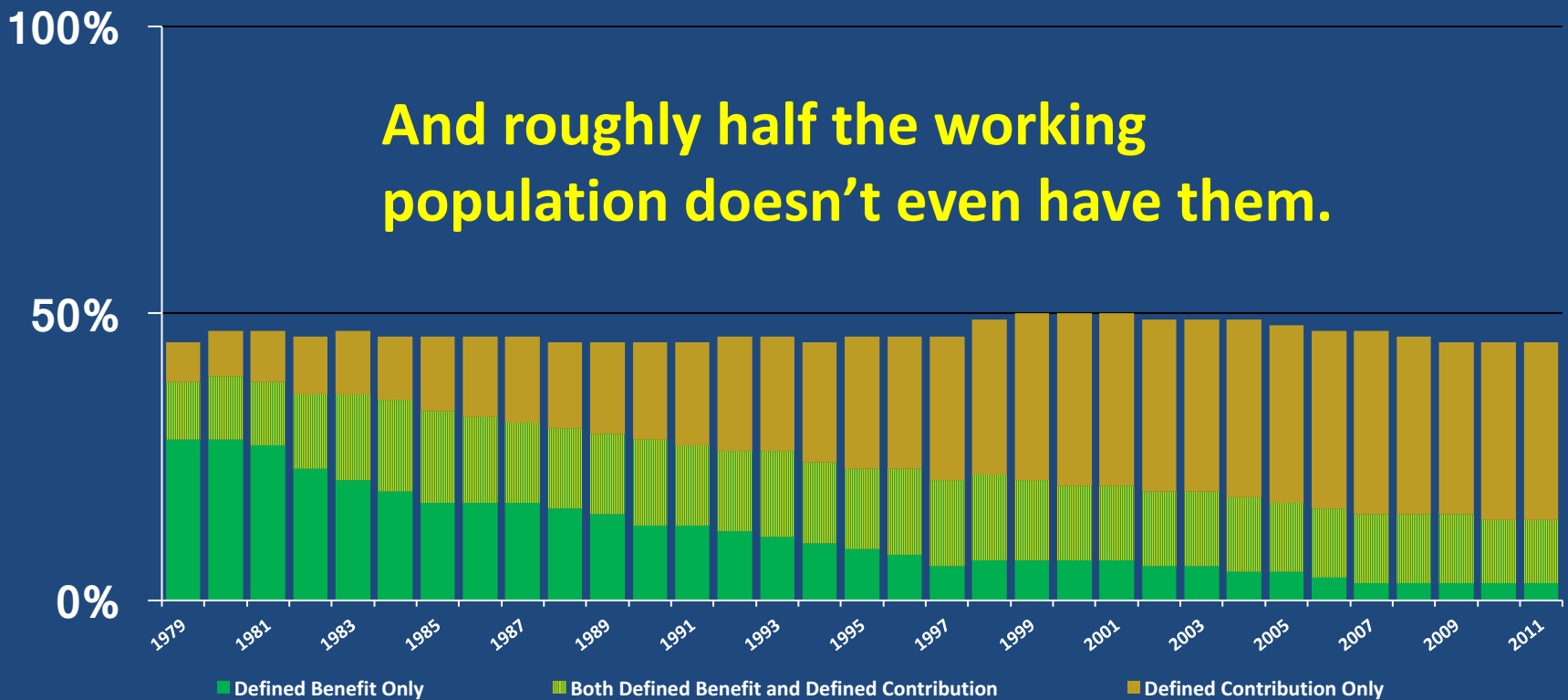
- ERISA undermined use of pensions
- Discriminated against lifetime income products
- Focused on employers/employees instead of retirement savings & retirement products

Employers responded to ERISA by abandoning traditional pensions



Source: SSA, BLS, EBRI, PBGC staff estimates

With DC plans, investment & savings decisions have moved to individual employees.

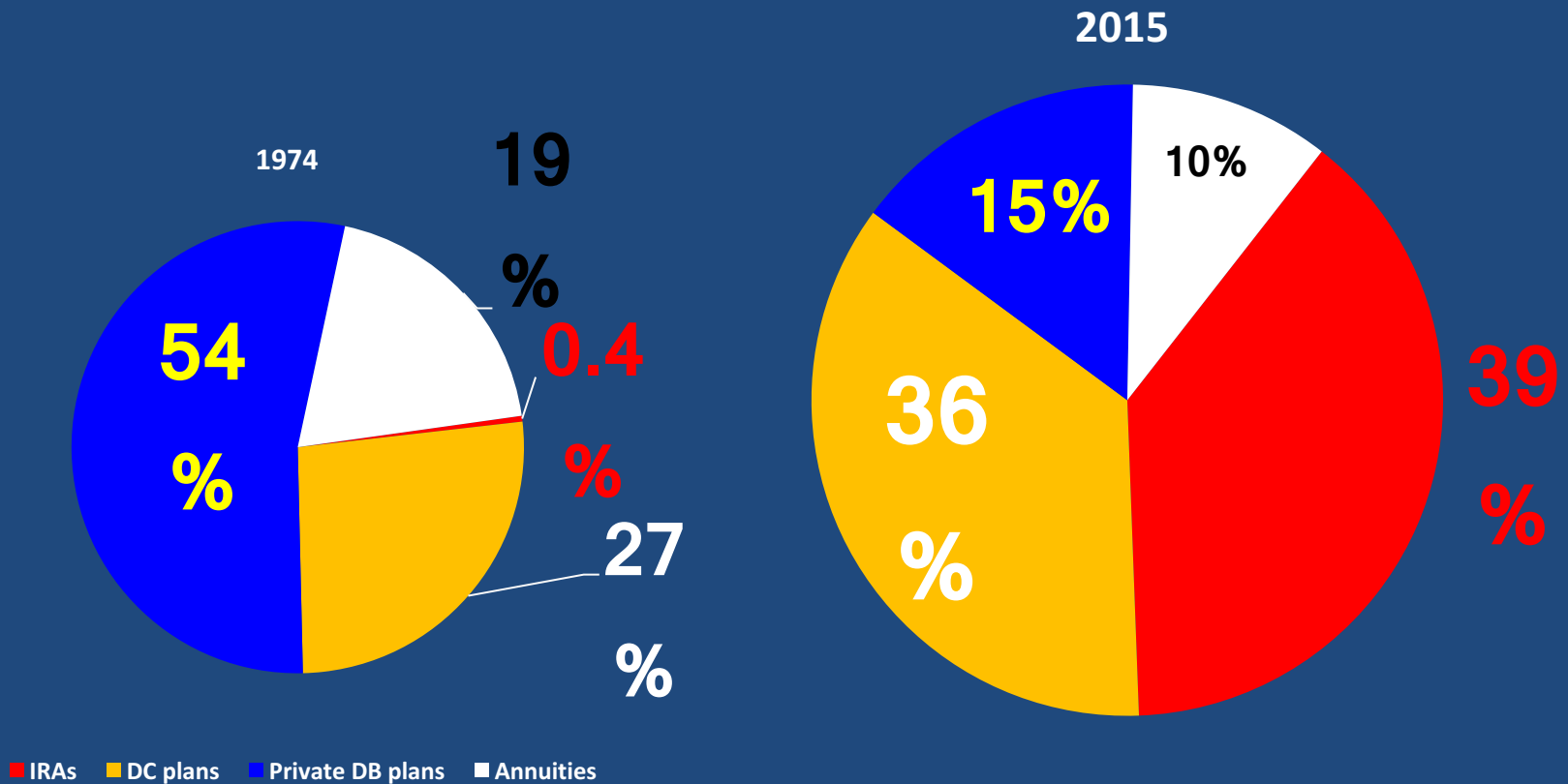


Percent of Private Wage & Salary Workers in Employer-Provided Retirement Plans

Source – EBRI

In 1974, 73% of retirement savings were annuities or pensions that paid annuities.

Today, 75% of retirement savings are DC & IRAs. IRAs are becoming dominant.



Source: ICI

How well do individual investors make retirement choices?

- Asset Allocation / Product Choice
- Choice of Investment Manager
- Fees
- Savings Rate / Withdrawals
- Annuitization / Longevity Risk

Worry List

- **Not Saving Enough**
- **Not Working Long Enough**
- **Less Lifetime Income**
- **Pension Underfunding**
- **Long-Term Care Costs**

What is to be Done? *Much*

- Preserving DB Plans Where Possible
 - Variable Benefits
 - Realistic Cost Estimates
- Improving DC Plans
 - The anti-Rexit retirement default: Remain in Plan
 - Universal auto-enrollment *and* auto-escalation
 - Partial Annuitization In Plan
 - Real Portability
- Coverage for the Uncovered
- Increasing Retirement Savings
 - Automatic enrollment
 - Automatic escalation (w opt-out)
 - Access to limited emergency funds
- Solve LTC Insurance

The End of “Employee Benefits”?: Transitioning to Better Retirement Systems

- **Employers as conduits, not sponsors or fiduciaries.**
- **Universal automatic savings**
- **Personal (automatically-portable) accounts**
- **Automatic, frictionless access to commodity products**
- **Back to the Future: (Partial) Annuities**
- **Consumer protection by government, not litigation**