



Addressing the Retirement Crisis With Lifetime Income

Shift to lifetime income in defined contribution plans

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55 million Americans don't have access to a retirement plan at work.¹



Almost half of private-sector workers lack access² to an employer-sponsored retirement plan, including:

- 64% of Hispanic workers
- 53% of Black workers
- 78% of workers at firms with fewer than 10 employees



Social Security beneficiaries are projected to face a 20% across-the-board benefit cut by 2033.³



Women retire with 30% less income than men.⁴



Traditional defined benefit plans, which provide retirees an income stream for life, are disappearing fast – 70% of retirement plan participants had one in 1975 compared to only 12% today.⁵

¹ Wharton Pension Research Council. March 2023

² Wharton Pension Research Council. March 2022

³ 2022 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. June 2, 2022

⁴ U.S. Census Bureau, American Community Survey, 2019.

⁵ Employee Benefit Security Administration, Department of Labor. October 2022

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Best Practices for Defined Contribution Plan Design

When a DC plan is not designed or managed to provide a personal pension, potential shortfalls could exist



Ensure Plan Participation

Allow all employees access to plan

Include automatic enrollment



Drive Adequate Savings

Set a target savings rate of 12-15%

Include auto escalation



Offer Core Investment Options Including Lifetime Income

Provide a low-cost investment solution including a component of guaranteed lifetime income

Offer investment menu of 15-20 low-cost funds and annuities

Require a Default Investment Option that includes the option to annuitize a portion of their retirement savings into guaranteed lifetime income



Drive Employee Engagement

Offer in-plan advice via preferred channels

Develop multi-channel engagement programs focused on overall financial well-being

Set, measure, and adjust plan goals based on outcomes, actual behavior, and needs

What Can State Policymakers Do . . .

Need to answer the question of *“Do our employees have enough lifetime income?”*

What to consider:



Do our laws provide language and direction to ensure appropriate contribution levels and lifetime income investment options



Hybrid plans (combo DB & DC features) embedding lifetime income within the plan design



Require lifetime income (annuities) options

Retirement Bill of Rights

It's time for a Retirement Bill of Rights because every American worker should have the ability to retire with dignity.



Every worker in America has the right to save for and achieve a financially secure retirement.



Every worker should have access to low-cost investment options that help provide ample income for a dignified retirement.



Every worker deserves clear information that allows them to compare saving and income options, make informed choices, and meet their retirement goals.



The public and private sectors share responsibility for helping every worker access retirement income that will last the rest of their lives.

