

Resolution in Favor of Encouraging a Redesign and the Use of Lifetime Income Investment Solutions in Defined Contribution Plans

Many American workers are facing a retirement savings and income challenge. Almost 57 million Americans don't have access to a workplace retirement plan to help them start saving.¹ For those workers who do have access, many are not saving enough. Participants in their forties with more than two to five years of tenure had an average 401(k) plan account balance of about \$38,000.² Worker sentiment also reflects the challenges of retiring with dignity. Seventy-one percent of nonretired adults are at least moderately worried about being able to fund their retirement. This includes 42% who say they are very worried.³ These challenges include a lack of guaranteed retirement income covering employees' essential expenses and insufficient overall savings to provide and generate enough retirement income.

If current trends continue, inadequate retirement savings will cost states \$334.3 billion in aggregate increased spending by 2040, and \$1.3 trillion in state and federal expenditures combined.⁴

State governments have an important role to play in promoting and helping workers achieve greater retirement security. States should understand how much, if any, lifetime income their respective retirement plans provide employees and consider whether their plan is providing enough retirement income. The goal should be to provide employees 80% of their pre-retirement income.

**Sponsored by [XXXXXX]*

WHEREAS, there is a retirement crisis today for American workers, including state employees, and

WHEREAS, the retirement crisis is heightened due to a lack of or shortage of lifetime income in the retirement plans of millions of American workers, and

WHEREAS, there is an opportunity today for employers of all sizes in the private and public sector to include lifetime income investment solutions for their employees; and

WHEREAS, there is an opportunity today for employers to educate, encourage and facilitate utilization of lifetime income investment solutions by their employees; and

NOW, THEREFORE, BE IT RESOLVED, to help state workers gain access to an adequate amount of lifetime income, state policy makers should analyze and quantify the current amount of income the typical worker might receive in their respective retirement plans. This includes the income created by the states' defined benefit, defined contribution and/or deferred compensation plans; and

¹ Wharton Pension Research Council. March 2022

² 401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2022, Employee Benefit Research Institute (EBRI) Issue Brief, No. 606, April 30, 2024

³ *Americans' Outlook for Their Retirement Has Worsened*, Gallup, May 25, 2023

⁴ State and Federal Impacts of Insufficient Retirement Savings, National Conference of State Legislatures, July 17, 2023

NOW, THEREFORE, BE IT FURTHER RESOLVED, state policymakers and retirement plan sponsors should automatically enroll eligible workers into their respective primary retirement plan; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, for those employees in a defined benefit plan, the state and employee should contribute the actuarial required contribution rate as prescribed by the retirement system's Board of Directors and/or their actuary. For employees in a defined contribution plan, the state and employee should contribute a shared amount of at least 12-15% of the employees' salary to ensure an adequate amount to retire comfortably. If the employee is not enrolled into social security, an additional 6-12% contribution may be necessary to ensure retirement income adequacy; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, based on the employees' potential retirement income, the state should automatically enroll employees into the states', or political subdivisions, supplemental savings plan. The state should allow workers to opt-out, reduce or increase their contribution rate if they choose; and

NOW, THEREFORE, BE IT FURTHER RESOLVED, to help employees ensure they are on track for a dignified and secure retirement, sponsors should provide advice and guidance services, tools and solutions to employees and encourage employees to utilize those services, tools and solutions; and

AND BE IT FINALLY RESOLVED, to provide additional lifetime income to supplement any pension benefits received by a state employee, sponsors should include an in-plan lifetime income solution as part of the available investments in a defined contribution or deferred compensation plan.