Testimony of

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Retirement (In)security: Examining the Retirement Savings Deficit

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Thank you, Mr. Chairman and members of the Committee, for this opportunity to testify today. I am a Senior Research Fellow at the New America Foundation, a nonpartisan policy institute here in Washington. New America's Asset Building Program develops and incubates innovative policy proposals to enable low- and middle-income families in the U.S. and around the world to accumulate savings, access financial services, develop financial capability, and build and protect productive assets across the life course.

There is no question that a widening retirement savings gap, exacerbated by rising longevity and health care costs, is creating widespread insecurity. Most individuals are simply not saving enough over their working life to supplement the meager benefits they will receive from Social Security. America's *real* retirement security crisis is not Social Security solvency or the many big firms freezing or terminating their traditional pension plans. The larger problem is that the majority of American adults do not participate in *any* retirement saving plan—whether pension or 401(k) or Individual Retirement Account (IRA). Participation in employer-sponsored plans peaked in the late 1970s and appears to be at its lowest level in more than 30 years. Employer-sponsored plans cover fewer than half of all private sector workers, leaving a projected majority of baby boomers and Generation Xers even more dependent on Social Security than their parents' generation is today. Coverage and participation rates are strikingly lower among workers who are low-income, young, work part-time, or work at small firms.

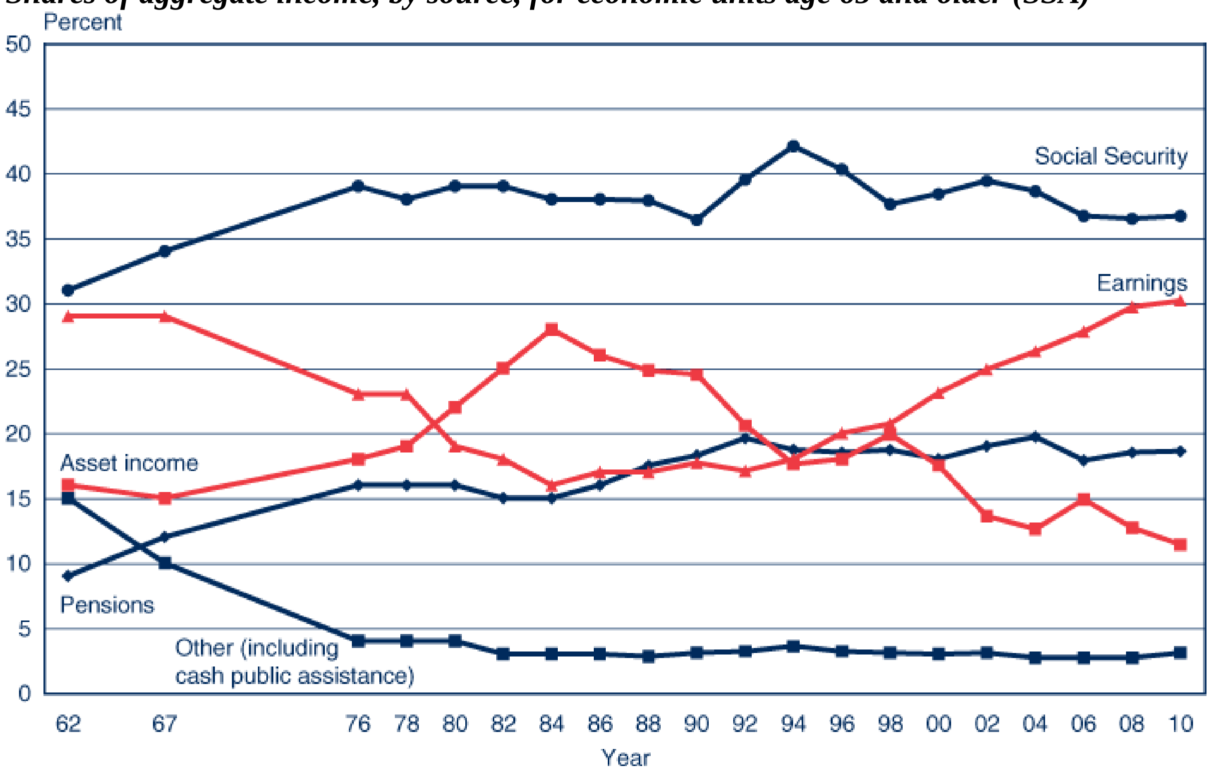
Although the focus today is saving for retirement, it's important as well for policymakers to view this deficit as the culmination of a generalized savings gap. Individuals and families have multiple savings needs that become more or less salient at different stages of life. Establishing a saving habit, regardless of purpose, increases economic security in the near term and better positions an individual or couple to achieve a secure retirement decades down the road. Research and demonstration projects have shown that even those with very low incomes have been able to save when given access to meaningful savings incentives and institutional support structures. This insight means that policies that facilitate saving and asset building from childhood through retirement can pay large social and economic dividends. At the end of this testimony I mention a number of policy innovations that speak to this broader context.

The Retirement Saving Deficit

The result of excluding half the nation from an automatic, managed and subsidized private saving plan is that too many individuals and families are headed toward retirement age with little more than Social Security's safety net. Today nearly two-thirds of beneficiaries rely on Social Security for a majority of their income. More troubling is that more than one-third of beneficiaries (36%) rely on Social Security for 90 percent or more of their income—a dependency ratio that is even greater for widows (46%).[1] This reliance on Social Security has increased in recent years and is likely to increase further as fewer and fewer retirees receive traditional pension income. The Center for Retirement Research estimates that the replacement rate of pre-retirement income levels is between 20 and 30 percent lower, respectively, among retired couples and single people who do not have pension income.[2]

For those 65 and older, rising income from continuing to work is replacing steadily declining income from non-pension assets. As the chart just below indicates, since the mid-1980s the share of income for Americans 65 and older coming from wages has doubled (rising steadily to 30%) while the share from asset income has plummeted from more than 25 percent to about 12 percent, the lowest level in half a century. Meanwhile, the share of income from pensions and Social Security has been relatively flat over the past decade.

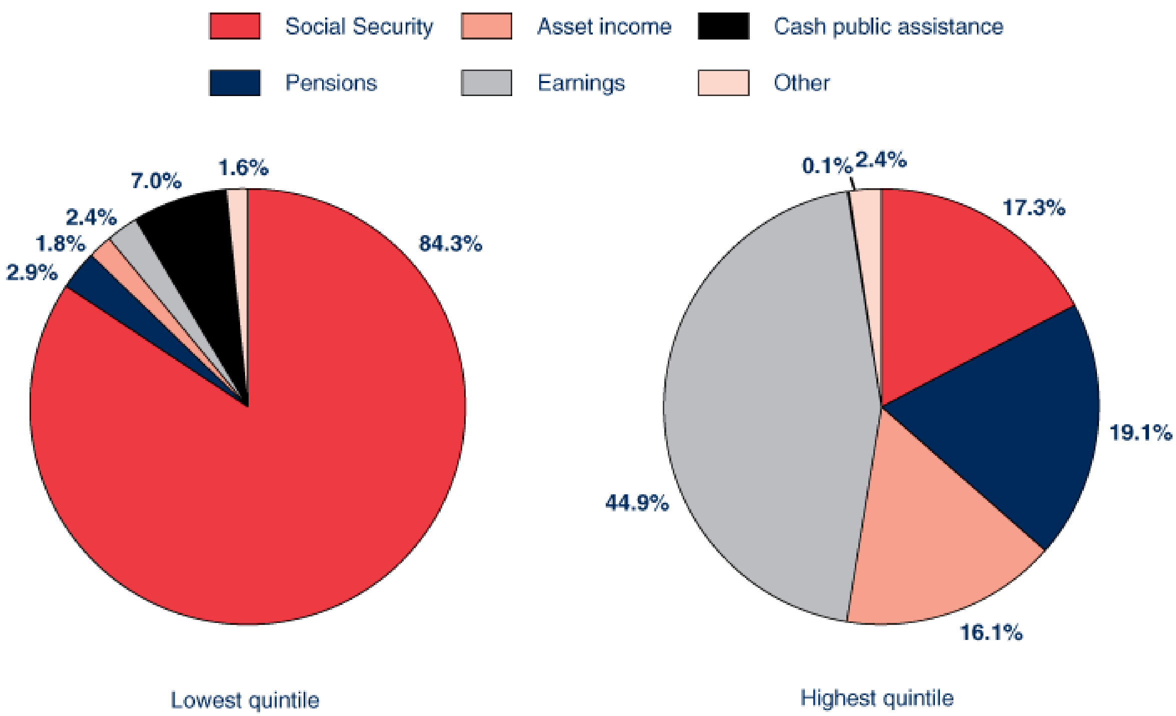
Shares of aggregate income, by source, for economic units age 65 and older (SSA)



This seems to confirm what some recent opinion surveys have shown, which is that a steadily growing portion of the workforce will continue to work at least part-time well beyond the "normal" retirement age of 65 or even 67 (as it phases in for Social Security). While remaining employed will help compensate for a rising disparity in the ownership of income-producing assets (outside of retirement accounts), it will also impact labor markets by potentially reducing the availability of work, opportunity and rising real wage levels for younger workers.

Not surprisingly, the lowest-earning 40 percent of working adults are accumulating very little in the way of financial assets. Elderly in the lowest income quintile receive on average only about 5 percent of their income from either pension or asset income. And because retirees with low career earnings, or substantial time out of the work force, receive minimal Social Security benefits, the Urban Institute estimates that about 36 percent of the elderly received benefits in 2009 that fell below the individual poverty line.[3] Among those over 65 in the top 20 percent by income, earnings provide the largest (and growing) source of income (45%), while income from pensions and other assets is about 35 percent.

Shares of aggregate income for lowest and highest income quintiles by source, 2010 (SSA)



Of course, the problem of a widening retirement saving deficit is not limited to relatively low-wage earners ending up overly dependent on Social Security and Medicare to make ends meet once they stop working. The National Retirement Risk Index (NRRI) indicates that a majority (51 percent) of working-age households are "at risk" of not having enough retirement income to maintain their pre-retirement level of consumption. Based on a 2009 update of the Federal Reserve's most recent triennial Survey of Consumer Finances, the NRRI measures the percentage of working-age households that are at risk of being unable to maintain their pre-retirement standard of living. The most recent NRRI suggests a worsening trend, with 41 percent of Early Boomers, 48 percent of Late Boomers, and 56 percent of Gen Xers "at risk" of not saving enough to maintain their standard of living in retirement.[4] These "at risk" estimates rise if health care cost inflation is factored in.

These shortfalls represent a cumulative $6.6 *trillion* "retirement income deficit" according to the Center for Retirement Research, which created the NRRI.[5] This $6.6 trillion (roughly $22,000 per capita) represents the present value of the saving and investment shortfall needed to ensure, on average, retirement security for every American. When the Center adjusted the Fed's household financial survey data in late 2009 to account for the economic downturn, it found that the overall share of households "at risk" had jumped 7 percentage points since 2007, to 51 percent. This reflected the impact of declining home equity values due to the bursting of the housing bubble, the stock market crash, and the ongoing rise in Social Security's full retirement age (as the new age 67 threshold phases in).

The Retirement Readiness Rating, calculated by the Employee Benefit Research Institute, similarly estimates that nearly one-half of Early Boomers (47.2 percent) and 44.5 percent of Gen Xers are on track to retire without sufficient income to pay for both "basic" cost of living expenses and uninsured health care costs.[6]

While there is a range of views about what income replacement rates are "adequate" and how precisely to measure the nation's retirement saving gap, there is no question that tens of millions of working-age adults, including one-third or more of those over age 50, are not accumulating nearly enough financial assets to maintain their standard of living while compensating as well for the likelihood of a longer life span and far higher out-of-pocket medical costs than current or previous generations of retirees.

Limitations of the Current Employer-Based System

Quite simply, pensions are how Americans save. With over $16 trillion in assets, traditional pension trusts and 401(k)-style saving plans account for the vast majority of financial assets accumulated by households – as well as a vital source of patient capital for American business. For workers with access to either a DB or DC plan, America's employer-based private pension system provides powerful saving incentives—both tax breaks and employer contributions—as well as the convenience and discipline of automatic payroll deduction.

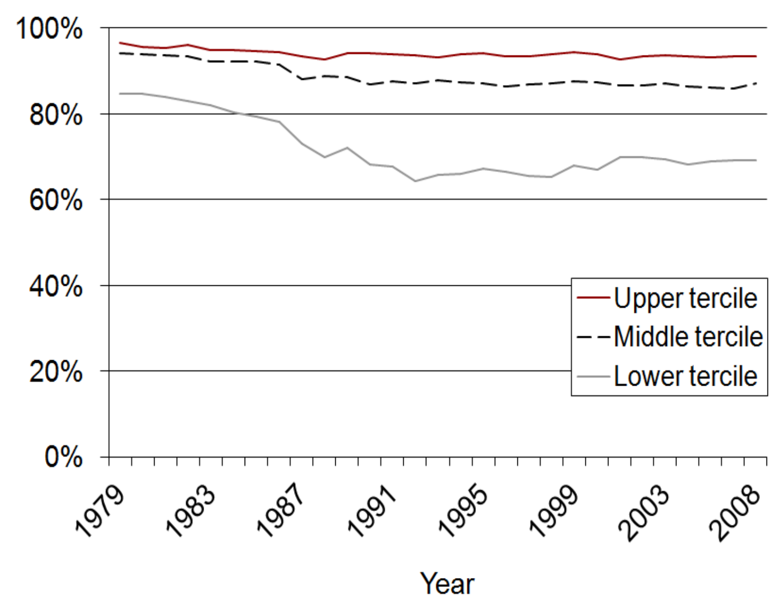
The transformation of the American private pension system over the past 25 years from traditional, employer-paid defined benefit plans (DBs) to predominantly voluntary, contributory plans has widened the nation's retirement saving deficit. As we've turned into more of a do-it-yourself 401(k) nation, several flaws in the employer-based system have been exacerbated. One is ***inclusion***. Employer-sponsored plans cover fewer than half of all private sector workers, leaving more than 75 million workers—including a disproportionate share of low-income, part-time, small business and minority employees, as well as the self-employed—without an easy, automatic, incentivized and professionally-managed infrastructure to facilitate saving throughout a career.

Only 43.2 percent of all private-sector workers age 25-to-64 participated in an employer-sponsored retirement plan in 2008, a striking decline from the 50.3 percent participation rate in 2000.[7] Only 55.4 percent of workers in their prime saving years (age 45 to 64) participate in a retirement plan. The percentage of private sector workers whose employer even sponsors a plan (whether or not they are eligible or participate) fell to 53.2 percent in 2008. One result is that roughly one-third of all households accumulate no pension plan saving during their entire work life and end up relying almost exclusively on Social Security.[8]

While participation is somewhat higher among full-time workers (51 percent), participation rates are also strikingly lower among workers who are low-income, young, work part-time, or work at small firms. Approximately 85 percent of Americans without a pension benefit at work shared one or more of these four characteristics, according to a General Accounting Office study. Minorities also participate at substantially lower rates, primarily because they are less likely to work at a firm that sponsors a pension or 401(k)-type plan.[9] While 56.6 percent of whites employed full-time and year-round participated in employer-sponsored plans in 2008, black and Hispanic workers participated at rates 10 and 26 percentage points lower, respectively.[10]

Not surprisingly, pension coverage is lowest among workers whose savings would truly *add to* net national saving: workers who earn less than the median wage. Even if a lower-wage worker is inclined to save, fewer than 40 percent of private sector workers in the bottom income quartile work for a firm that sponsors a retirement plan, while 72 percent of top quartile earners work at firms offering qualified plan coverage, typically a 401(k) with employer matching contributions.[11]

Pension Participation Rate for Private Sector Male Workers Age 25-64 at Employers with Pensions, by Earnings Tercile, 1979-2008



Source: Karamcheva and Sanzenbacher, calculations from 1980-2008 CPS.

A second, related problem is the lack of pension ***portability***. Labor market mobility is increasing and job tenure is steadily decreasing. The typical worker will change jobs seven or more times after age 25 and, even if they are fortunate enough to have pension coverage in every job, will face eight or more years of ineligibility for automatic saving and the incentive of matching deposits. Meanwhile, at least one in four U.S. workers are in non-standard work arrangements (part-time, temporary and contract workers) that rarely include pension coverage. While a "free agent" workforce may be good for productivity and flexibility, it makes the current payroll-based pension system increasingly inadequate.

This lack of a system to facilitate seamless coverage contributes to low participation rates and accumulations. Even if a worker has coverage today, he or she may not have access to a plan next year in a new job. And even if the worker's new employer sponsors a plan, new hires are not eligible to participate for at least one year. The result is gaps in coverage. And although a long-tenured worker in a traditional pension plan will vest in monthly income for life (or a lump sum), those who terminate in less than five years can end up with no retirement accumulation at all for that period.

A third fundamental flaw in the current system is ***tax incentives*** that are not targeted on the public policy goal of promoting retirement saving at the margin – and, in particular, on nudging the middle-to-low-income earners who have the greatest difficulty sacrificing current income for saving. A tax deduction for saving will typically contribute $35 in federal expense for every $100 saved by a top-bracket earner – and no subsidy at all for most of the lowest-earning 40 percent who would be more powerfully motivated by a matching tax credit deposited directly into their account (which would also serve to build their asset accumulation and not simply reduce their tax bill). While the affluent can respond to tax incentives for saving by *shifting* rather than actually increasing their net saving effort, households that would not otherwise save generate net new national saving.

A final set of challenges relate to income ***adequacy* and *longevity***. Even among those workers who are currently participating in a 401(k) or other defined contribution plans, saving is not continuous enough, accumulations are not large enough, and lump-sum withdrawals in retirement are often depleted too quickly, exacerbating the risk of outliving assets. Even an essentially voluntary saving system like the Auto-IRA needs to design in a set of "nudges" strong enough to push the typical middle- to lower-income worker toward a higher contribution rate (6 to 12 percent or more), reinforced by the incentive of additional matching contributions (from both tax credits and employer contributions), and converted as a default into a secure stream of income for life.

We might at least expect the workers lucky enough to participate in 401(k)-type plans to be accumulating significant savings. Among the subset of high-tax-bracket earners with steady access to a 401(k), this is the case. However, in general workers approaching retirement age are not accumulating enough saving to generate adequate income throughout retirement. According to a Congressional Research Service analysis of the Fed's most recent Survey of Consumer Finance, the median value in 2007 of all retirement accounts owned by households headed by persons 55 to 64 was $100,000. For a 65-year-old man, $100,000 would be sufficient to purchase a level, single-life annuity paying out $700 per month for life (based on interest rates in 2009). Because women have longer average life expectancies, a 65-year-old woman could generate annuity income of only $650 per month.[12]

Not surprisingly, 401(k) participation and accumulation rates in the bottom three quintiles of the earning distribution are far lower. Even among longer-tenured 401(k) participants in their 50s and 60s who are earning between $40,000 and $60,000 the median account balance was just over $81,000 in 2009, according to the EBRI/ICI 401(k) database.[13]

Another reason that participation rates have declined, particularly among lower-income earners, is the simple fact that 401(k) plans are voluntary and typically require workers to make investment decisions they may feel unprepared to make. Unlike traditional DB pensions, with 401(k)-type plans individuals must *choose* to save. Unfortunately, the incentives are often not nearly compelling enough, particularly for low-income workers who, unlike high-income earners, receive little if any tax subsidy for saving. As a result, the shift from DB pensions – which automatically enroll and contribute on behalf of all workers – to 401(k)-type plans coincided with a sharp decline in pension participation among the lower-income workers and lower future accumulations. One recent study showed that although access to an employer plan has remained roughly the same since 1979, the participation rate among the lowest-earning third of workers has declined far more than among middle- or upper-income earners (see chart below).

The trend toward automatic enrollment and default investment options in 401(k) plans, encouraged by the Pension Protection Act of 2006, is already showing progress in reversing this trend, especially among the middle-third of workers as ranked by income. However, even if middle- to lower-income workers who are currently eligible for a 401(k) in their current job participate, they are far less likely than high earners to have the consistent, career-long access to a good pension or 401(k). And since President Bush signed the Pension Protection Act of 2006, little progress has been made in narrowing the nation's retirement saving deficit.

Toward a More Inclusive and Seamless Retirement Saving System

Every working American needs access to both a potent tax incentive to save and the infrastructure of automatic payroll deduction into a portable, professionally-managed account *whether or not* his current employer sponsors a retirement plan. The fact that so few workers save regularly in IRAs reinforces what demonstration projects in asset-building among low-income families have found: it is not primarily access to a savings account that spurs participation, but the four "I's"—Inclusion, Incentives, Infrastructure, and Inertia.

- Eligibility and design criteria that emphasizes ***inclusion***, both permitting and encouraging every working adult not currently able to participate in a qualified employer-sponsored plan to contribute to their "career account" by payroll deduction, bank debit, tax refund designation, or other means.

- A tax ***incentive*** for saving that is more inclusive—and targeted toward lower-income earners who find it most difficult to save—by expanding the Savers Credit, making it refundable and a more generous match for low-wage workers, and depositing it directly into the individual's account.

- An account-based ***infrastructure*** that enables every worker to save by automatic payroll deduction and facilitates career-long portability through a central and low-cost default account and clearinghouse function.

- Default options that convert myopia into positive ***inertia***, through automatic enrollment and payroll deduction, automatic escalation, automatic asset allocation, automatic rollover, and automatic annuitization.

The most promising legislative proposal to facilitate a universal saving system is the Automatic IRA, which would require employers that do not sponsor a qualified retirement plan to automatically enroll most of their employees in a payroll-deposit IRA account. Variations of this proposal have been discussed since 1999[14] and previously introduced in the House and Senate on a bipartisan basis.[15] Although the Auto-IRA could be implemented without a change in tax incentives, a matching credit for initial saving by middle-to-low income workers could give nearly all Americans a saving vehicle as easy and appealing as a good 401(k) account is today. For example, in his 2008 campaign President Obama proposed expanding the existing Savers Credit "to match 50% of the first $1,000 of savings for families that earn under $75,000" and to make the credit refundable so that lower-income workers without income tax liability to offset could still receive a tax break for voluntary saving in any qualified retirement account.[16]

Despite the current fiscal squeeze, now is precisely the wrong time to back away from proposals to make our retirement saving system dramatically more inclusive and effective at stimulating substantial new saving that will spur growth and reduce dependency longer term. To meaningfully address our retirement security crisis, the Auto-IRA should be implemented as a more truly Universal 401(k) system, with full access, robust incentives, a workable infrastructure, employer contributions, and an effective set of default features capable of maximizing savings behavior.

Five policy design features would effectively transform the Auto-IRA into a more universal 401(k) include:

- ***A refundable Savers Credit*** as a matching contribution deposited directly into the worker's account. The match rate should be higher for those less likely and able to save—and apply to at least the first $2,000 of savings each year.

- ***Every worker not currently eligible to save in a qualified plan should be included*** for automatic enrollment and mandatory payroll deduction by employers, or assisted in making deposits directly in the case of the self-employed and others without access to payroll withholding.

- ***A low-cost clearinghouse enabling career-long portability*** should be the default option available to every participant—and include special arrangements for the self-employed and others not eligible at work. Individuals should be able to choose to use a particular IRA provider, or to roll out balances later, but not the employer on their behalf.

- ***Employers should be able to contribute*** on a non-discriminatory basis (flat dollar or flat percentage amount for every eligible worker). Contribution limits should be higher than IRA limits, which are too low for middle-income earners to achieve an adequate replacement of pre-retirement earnings.

- ***Five default features—enrollment, escalation, investment, rollovers, annuitization – need to be required and robust***, not left to the discretion of employers or financial providers.

Under a universal saving plan with these key attributes, all workers not participating in an employer plan, including recent hires, part-time employees, and temporary and other contingent workers, would be automatically enrolled and contribute by payroll deduction, although an individual could opt out and choose not to save. The government would match voluntary contributions by workers and their employers with refundable tax credits deposited directly into the worker's account. Workers participating in their employer's 401(k) or other qualified plan would receive stronger tax incentives to save, but otherwise see no difference. Contributions for workers not participating in an employer plan would be forwarded to a federally-chartered clearinghouse, which would manage small accounts at low cost and could even convert account balances into guaranteed income for life at retirement.

A Wider View: Lifelong Saving and Asset Building

The retirement savings deficit is not the only savings deficit that the American people face. Individuals and families have multiple savings needs that become salient at different stages of life. A policy agenda aimed at narrowing the retirement savings deficit will be most effective if it is informed by this reality. For young adults, the motivation to save for the purchase of a home, or for a child's higher education, or to insure against a future loss of income, may be far greater than for retirement. Indeed, these needs may actively prevent some individuals from committing to retirement savings. Establishing a saving habit, regardless of purpose, increases economic security in the near term and better positions that individual or couple to achieve a secure retirement decades down the road. Accordingly, a range of policy supports designed to target those who find it most challenging to save and invest is required.

The retirement savings gap is the culmination of a generalized savings gap, a problem compounded by a lack of access to high-quality financial services. Research and demonstration projects in recent years have shown that even those with low incomes have been able to save when given access to meaningful savings incentives and institutional support structures. This insight means that policies that facilitate saving and asset building from childhood through retirement can pay large social and economic dividends.

Expanding savings and asset ownership is especially consequential for families with lower incomes and limited resources. This is because the path toward upward economic mobility and stability is usually paved with assets that smooth income fluctuations or seed investments that pay off down the line. Research has shown that higher personal saving promotes the upward mobility of both individuals over their own lifetime as well as their children. For example, 71 percent of children born to high-saving, low-income parents move up from the bottom income quartile over a generation, compared to only 50 percent of children from comparably low-income but low-saving households.

In contrast, a lack of savings contributes to asset poverty, higher consumer debt levels and higher bankruptcy rates, all of which have negative ramifications both in the short run and for the odds of ending up with adequate saving in retirement. Asset-poor families are also far more likely to experience other economically disruptive events including divorce, involuntary job loss and health-related work limitations.

Over the past decade New America's Assets Building Program has developed, tested and advocated a series of innovative policy initiatives and changes aimed at encouraging savings and asset ownership opportunities for people who have limited resources at their disposal. While our *Assets Agenda*[17] describes a wider range of new federal policy proposals, as well as private sector financial innovations and efforts, I will touch on just a few in this testimony.

Promote Savings Accounts from Birth and Childhood

One very promising way to encourage savings is to begin the process early in life with children's savings accounts (CSAs). This approach can provide both widespread exposure to the savings process and a platform for future savings over the life course.[18] The key goal is the development of a savings habit – and to nudge young families toward internalizing a culture of savings. Recent research and successful demonstration projects suggest that children's savings accounts would increase a sense of financial inclusion; promote financial literacy and fiscal prudence; protect against economic shocks; improve access to education; improve health and education outcomes; contribute to the development of a "future orientation"; and, over the long term, improve livelihoods. Specific legislative and other policy initiatives promoting this goal include:

The ASPIRE Act: The America Saving for Personal Investment, Retirement, and Education Act (ASPIRE Act) proposes a system of universal children's savings accounts. Under the act, which was first introduced in 2005 with bipartisan support, the federal government would provide every child with an account at birth—a Lifetime Savings Account—endowed with $500 and backed by progressive, targeted incentives. Funds would be held in default investment plans, but account holders would have the option to roll out their resources to other account providers. At age 18, account holders could use accumulated funds to pay for college, buy a home, or build up a nest egg for retirement.

PLUS Accounts: Children's accounts can also be linked explicitly to savings for retirement. The government could open a Portable, Lifelong and Universal Savings (PLUS) Account for every newborn at local financial institutions. These accounts would be endowed with a onetime deposit of $1,000 and withdrawals limited to promoting retirement security. PLUS Accounts could be established for all working citizens under the age of 65, with a mandatory 1 percent of a worker's pretax paychecks withheld and automatically deposited into his or her account. In addition, workers would be allowed to voluntarily contribute up to 10 percent of their pretax income. Senator Jeff Sessions (R-AL) supported this idea in a *Washington Post* op-ed in 2006.

Young Savers Accounts: Presently, there are no age restrictions on owning a Roth IRA, but since only individuals with earned income are eligible, most children are unable to take advantage of this tax-advantaged savings vehicle. Young Savers Accounts (YSAs) would create a "Kid's Roth"—a place for children's savings with favorable tax treatment. Like Roth IRAs, YSAs would permit penalty-free withdrawals for postsecondary education and the purchase of a first home. Contribution limits would be based on parents' earned income, but contributions could be made by children, parents, grandparents, and others. Contributions to a child's YSA would count toward the parent's annual limit for Roth IRAs (now $5,000 for those aged 49 and under), so no new tax shelter has to be created. Contributions made by low-income families would qualify for the Saver's Credit and deposited directly into the account. Legislation proposing a very similar "401Kids Savings Account" was introduced in the 111th Congress (H.R. 30) and co-sponsored by 17 Republican representatives.

Expanding Access to Quality Financial Services

One reason the sort of automatic workplace saving system described above is needed is the lack of financial literacy and even of basic access to quality financial services among a substantial share of the population. An estimated 7.7 percent of the U.S. population, or 9.9 million households, lack a checking or savings account with an insured, mainstream financial institution. Nearly one of every five households earning less than $25,000 a year is unbanked, and 70 percent of the unbanked population makes less than $30,000 annually.[19]

A growing number of households are also considered to be under-banked. These households report having at least a basic bank account, but also rely on alternative financial services, such as a payday lender, check-casher, or car title loan, at least once within the past year. An estimated 50 million consumers are considered under-banked. This sector's services typically charge high interest rates and upfront fees, and do not offer tools or opportunities to save or build wealth.

Some recent pilot projects suggest promising alternatives to conquer this basic lack of access to mainstream and cost-effective financial services. One promising strategy is to create access points where individuals already spend time and transact business. This is the key focus of the AutoSave pilot, a workplace-focused effort to connect employees with savings accounts and direct deposit transactions dedicated to those accounts. While 401(k)s are restricted, long-term and single purpose, AutoSave is aimed at initially promoting precautionary, unrestricted saving among individuals with very limited liquid assets. Just like the Auto-IRA, the AutoSave pilot uses principles grounded in behavioral economics (automation, ease of access, default options) to encourage and sustain saving among less experienced consumers.[20]

Another promising approach is "Bank on USA," which began as a pilot project in San Francisco that brought together multiple stakeholders to try to remove barriers to bank account ownership and connect the unbanked with a financial institution. The program was a major success and has spawned similar efforts across the country. The Obama administration proposed creating a $50 million "Bank On USA" grants program administered through the Treasury Department to promote this approach and related initiatives on a national level.

Thank you for this opportunity to testify today and for the Committee's interest in this critical national issue.

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[1] Social Security Administration, *Income of the Aged Chartbook, 2010* (released March, 2012).
[2] Alicia Munnell and Mauricio Soto, "How Much Pre-Retirement Income Does Social Security Replace?" Center for Retirement Research, Issue in Brief No. 35 (2005).

[3] Melissa M. Favreault, "Why Do Some Workers Have Low Social Security Benefits?" The Urban Institute (2010); see also Melissa M. Favreault, "Workers with Low Social Security Benefits: Implications for Reform," The Urban Institute, Retirement Policy Program, Brief Series No. 29 (2010).
[4] Alicia Munnell, Anthony Webb and Francesca Golub-Sass, "The National Retirement Risk Index: After the Crash," Center for Retirement Research at Boston College, Issue In Brief 9-22 (Oct. 2009), available at http://crr.bc.edu/special_projects/national_retirement_risk_index.html.
[5] *See* "The Retirement Income Deficit," Retirement USA, as calculated by Center for Retirement Research, available at http://www.retirement-usa.org/retirement-income-deficit-0.
[6] Jack VanDerhei, "A Post-Crisis Assessment of Retirement Income Adequacy for Baby Boomers and Gen Xers," Employee Benefits Research Institute, Issue Brief No. 354 (Feb. 2011).
[7] Patrick Purcell, "Pension Sponsorship and Participation: Summary of Recent Trends," Congressional Research Service (Sept. 2009). CRS estimates are based on the U.S. Census Bureau's *Current Population Survey* (CPS). The 2008 levels are also substantially lower than the late 1970s peak in private sector pension coverage; in 1979, 51 percent of wage and salary workers age 25-64 participated. *See* Alicia Munnell and Laura Quinby, "Pension Coverage and Retirement Security," Center for Retirement Research, Issue in Brief No. 9-26 (Dec. 2009).
[8] Alicia Munnell and Laura Quinby, "Pension Coverage and Retirement Security," Center for Retirement Research, Issue in Brief No. 9-26 (Nov. 2009).
[9] *See* Alicia Munnell and Christopher Sullivan, "401(k) Plans and Race," Center for Retirement Research, Issue in Brief No. 9-24 (Nov. 2009).
[10] *Ibid.*, at p. 11.
[11] *Id.*, at p. 13. CPS data show that 73 percent of private sector workers in the highest earning quartile worked for an employer sponsoring a qualified plan, compared to only 59 percent among third quartile earners and 38 percent among workers in the lowest earning quartile.
[12] Patrick Purcell, Congressional Research Service, "Retirement Savings and Household Wealth in 2007," Report for Congress 7-5700 (April 8, 2009).
[13] Jack VanDerhei, Sarah Holden and Luis Alonso, "401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009," Employee Benefits Research Institute, Issue Brief No. 350 (Nov. 2010), at pp. 20-21.
[14] In testimony to the House Education and Labor Committee in September, 2000, the author proposed requiring firms with more than 25 employees to offer "payroll deduction IRAs" to all "employees at firms without pension coverage who only have recourse to IRAs, " as well as to require "automatic plan enrollment" in 401(k)-type plans. Michael Calabrese, "How to Improve Pension Coverage for American Workers," Testimony before the Subcommittee on Employer-Employee Relations, House Committee on Education and the Workforce (September 14, 2000); s*ee also* Michael Calabrese, "Individual Career Accounts: Universal 401(k)s," Pension Rights Center, Proposal Summary presented at *Conversation on Coverage* conference (July 1, 2001).
The Automatic IRA that is the focus of this paper, with an emphasis on default features such as automatic enrollment and investment, was developed by Mark Iwry, a former Brookings Institution scholar (currently at Treasury Department) and David John of the Heritage Foundation. *See, e.g.,* Mark Iwry and David John, "Pursuing Universal Retirement Security through Automatic IRAs," Brookings Institution, Retirement Security Project Paper 2007-2 (2007).
15 [15] Bipartisan legislation based on the Iwry/John proposal – The Automatic IRA Act of 2007 – was introduced in the Senate (S. 1141) by Sens. Jeff Bingaman and Gordon Smith, and in the House (H.R. 2167) by Reps. Richard Neal and Phil English. The most recent Senate version of the bill was introduced in September 2011 by Senator Bingaman (D-NM) without a GOP co-sponsor.
[16] "Barack Obama's Plan to Strengthen Retirement Security," Obama for America, 20 08 campaign fact sheet. *See also* "Blueprint for Change: Barack Obama's Plan for America, Obama for America (2008), at 17, available at http://www.miafscme.org/PDF%20Files/ObamaBlueprintForChange.pdf.
[17] Reid Cramer, et al., *The Assets Agenda 2011: Policy Options to Promote Savings and Asset Development*, The New America Foundation (2010), available at
http://assets.newamerica.net/sites/newamerica.net/files/policydocs/Assets_Agenda_2011.pdf .
[18] *See* Reid Cramer and David Newville, "Children's Savings Accounts," New America Foundation (Dec. 2009); William Elliott III, "Why Policymakers Should Care About Children's Savings," New America Foundation and Center for Social Development (Jan. 2012).
[19] *The Assets Agenda 2011*, at 15.
[20] *Ibid.*, at 14.