ERISA's 50th Anniversary

Impact on Auditors, Plan Sponsors and Participants

Money for Nothing

1

Query

How proficient are you in planning for retirement income?

"People define retirement in different ways, but generally, the gist is that you're no longer working.

2

For the current generation of retirees, that is largely the case. Among currently retired people, 71% say they're not working in any capacity, according to CNBC's August 2024 Your Money retirement survey conducted with SurveyMonkey. Among those who are working, 17% say they're doing so by choice, with just 11% reporting working because they have to.

The next generation of retirement savers seems less eager to relax once they leave their 9-to-5. Just 11% of would-be retirees surveyed by CNBC say they don't plan to work in any capacity after they retire. More than a third of respondents — 36% — say they're not sure, while the majority, 53%, anticipate working, either because they'll want to or to supplement their income.

Do you want to work during retirement?"

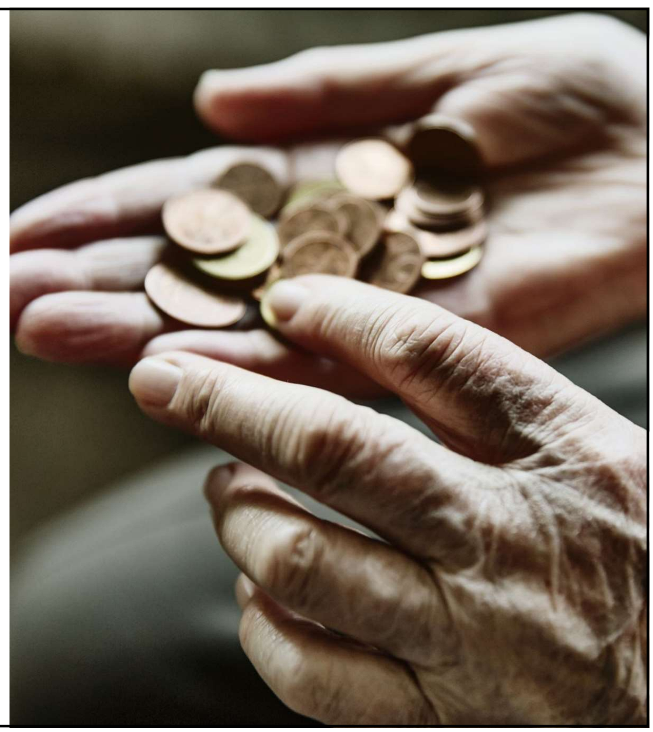
3

Retirement

Income

Security

- The Employee Retirement Income Security Act of 1974 (ERISA)
- Concerns:
  - Broken Promises
  - Funding Issues
  - Spousal Issues
- "Pension" - Defined Very Broadly



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Four titles of ERISA

- Title I – Protection of Employee Benefit Rights
  - Reporting and Disclosure
  - Participation and Vesting
  - Funding
  - Fiduciary Responsibility
  - Administration and Enforcement

- Historical Perspective:
  - The Studebaker

- Current Federal Policy

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Four titles of ERISA (continued)

- Title II – Amendment of the Internal Revenue Code
  - Participation, Vesting and Funding
  - Certain Other Provisions Relating to Qualified Retirement Plans
  - Registration and Information
  - Other Amendments to the Internal Revenue Code Relating to Retirement Plans

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Four titles of ERISA (continued)

- Title III – Jurisdiction, Administration Enforcement, Joint Pension Task Force
- Title IV – Plan Termination Insurance
  - Created the Pension Benefit Guaranty Corporation

7

Enforcement Jurisdiction

- **Department of Labor (DOL)**
  - Employee Benefits Security Administration (EBSA)
    - Responsible for the administration of ERISA and compliance with statutory and regulatory requirements
    - Controls the EFAST filing system for Form 5500, *Annual Return/Report of Employee Benefit Plan*
- **Internal Revenue Service (IRS)**
  - Responsible for compliance with the tax rules and requirements and collection of certain penalties

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Other Agencies

- **Pension Benefit Guaranty Corporation (PBGC)**
  - Responsible for guarantying certain retirement benefits
  - Takes over plans in distress (e.g.: airlines)
- **Social Security Administration (SSA)**
  - Maintains information regarding certain benefits, payable in the future
  - Alerts social security recipients of retirement plan benefits that they <u>may</u> be entitled to:
  - Form 8955-SSA

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Financial Statement Oversight

- Department of Labor (DOL)
- Internal Revenue Service (IRS)

If the plan offers stock to plan participants:

- Securities and Exchange Commission (SEC)
  - Form 11-K
- Public Company Accounting Oversight Board (PCAOB)

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ERISA Recalled: Promises and Problems, Employee Benefit Plan Review 1994 – Chester Salkind, executive director at American Society of Pension Actuaries and worked at the PBGC in its early years and Steven Schanes, first director of the PBGC

Chester J. Salkind, now executive director of the American Society of Pension Actuaries, then was working for the newly formed Pension Benefit Guaranty Corporation, on temporary assignment from the Department of Labor and later as a permanent employee.

While praising ERISA's vesting and funding requirements, Mr. Salkind said that he questioned from day one whether its benefit guarantee provisions, as embodied in the formation of the PBGC, were fiscally sound. "Even though I worked for the PBGC, I had grave reservations about its financial future," he said.

Despite these efforts, Mr. Schanes said that the PBGC received 12,000 termination requests in its first year, some from fully funded plans. He characterized the new law's provisions as frightening to sponsors of small defined benefit plans, placing upon them a liability that they would not have with defined contribution plans. When asked to assess the impact of ERISA on small plans, compared with that of subsequent tax legislation, he said that, while "surely not one has helped small plans," and it is difficult to measure the effect of each, ERISA probably gets the most blame as to the impact on small plans.

Employee Benefit Review Focus on ERISA 20 Anniversary
Chester Salkind and Steven Schanes Interviewed

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Mr. Salkind commented that ERISA was ten years in the making, a long and carefully thought-out piece of legislation. Legislators were not trying to throw something together, he continued, not operating in "a great big hurry," with the attitude of "let's finish this by election time." He also praised the cooperation between the political parties that took place during the creation of ERISA: "the process was not damaged by partisanship," he said.

Again referring to his earlier comments, "ERISA was a learning process in how a complex piece of legislation is passed: House 407-2 and Senate 85-0. The representatives and senators had to rely on their aides and on the many public hearings, because ERISA was technical and difficult. It was a masterful job of molding public opinion, but what if it had been another subject with harmful social effects? What if?" ◆

Employee Benefit Review Focus on ERISA 20 Anniversary
Chester Salkind and Steven Schanes Interviewed

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Tax Benefits

- **Tax Qualified Plans**
  - Current Corporate Level Deduction
  - No Current Income to Participants
  - No Current Tax on Trust Earnings
- **Non-Qualified Plans**
  - No Current Corporate Level Deduction
  - No Current Income to Participants

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Tax Qualified Plans

- **Plan must be** designed and operated **in accordance with ERISA and Internal Revenue Code (IRC) requirements**
- **If the Plan is designed and operated properly, the trust (or insurance contract) is exempt from federal income tax**
- **Plan** must **be for the exclusive benefit of participants and beneficiaries**

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Qualified Plans- Generally

- Two Types:
  - Defined Benefit (DB)
  - Defined Contribution (DC) – Profit Sharing, Money Purchase
- Non Discrimination Rules – Safe Harbors
- Participation and Coverage Rules
- Minimum Distribution Requirements
- Other Statutory Limitations

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1993

A survey of 557 profit-sharing and 401(k) plans by the Profit Sharing Council of America (PSCA) showed that 55.5% of plans passed the average deferral (ADP) tests in 1993 without adjustments either to the elections of highly paid participants or the return of excess contributions.

Small plans, those with fewer than 199 participants, were more likely to pass the test without adjustments than large plans. Sixty-seven percent of small plans passed compared with 38% for plans with more than 5,000 participants. Large plans (5,000 or more participants) were more likely than smaller plans to limit the elections of highly paid participants when contributions reached the maximum allowed by the test. Fifty-four percent of the large plans limited the elections compared with 28% of all plans. Fifteen percent of all plans allowed excess 401(k) contributions to be returned to participants after the end of the plan year.

Sixty-six percent of all plans passed the average contribution percentage (ACP) test without adjustments, while only 47% of large plans did so.

Why the need for the Safe Harbor?

Established in 2009

1993 Profit Sharing Council of America 37th Annual Survey of Profit Sharing Plans

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Name the Year

Employees must become "informed investors," ….. meaning that they must understand the difference between saving (putting money aside) and investing ("deploying" money in a way that overcomes factors such as inflation).

Specific information critical to this distinction includes the concept of compounding interest and how it is affected by time; the need to start saving and investing early; risk and return issues; the expense ratios of different investment options; the importance of diversification in limiting volatility; and an understanding of inflation. This kind of information, ….. should lead employees to an under standing that higher investment risk may be necessary in Sec. 401(k) plan investment choices.

1993

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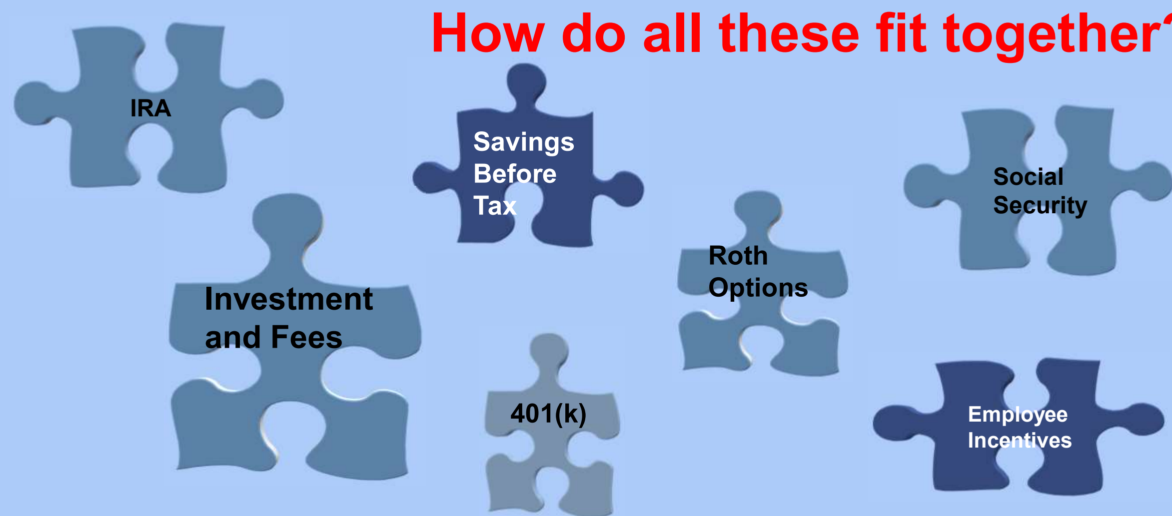
Market Confusion

How do all these fit together?



It is all so personal.

18

19

19

Age 22 vs Age 32 $85,744 Lost

Liam
Ten Years.
$2,000 each year.
8% Rate of Return.
Total out of Pocket: $20,000.

$428,634 at age 65.

Collin
Thirty-four Years.
$2,000 each year.
8% Rate of Return.
Total out of Pocket: $68,000.

$342,634 at age 65.

20

	Contributes to a Roth Account	Contributes to a Traditional TDA
Annual Income	$30,000	$30,000
Pre-Tax Retirement Contributions	$0	$6,000 ($500/month)
Taxable Income	$30,000	$24,000
Federal taxes paid annually*	$7,500*	$6,000*
Post-Tax Retirement Contributions	$6,000 ($500/month)	$0
Pay after Federal Taxes	16,500	18,000
Total Retirement Savings After 30 Years**	$474,349**	$474,349**
Federal taxes owed at withdrawal*	$0	$71,152*
Take-Home Retirement Savings	$474,349	$403,197

*Based on a federal tax withholding rate of 25% while working and 15% in retirement.
**Based on a contribution rate of $6,000 per year, and 6% annual return rate.

Courtesy: Carnegie Mellon University

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To Roth or not….
Real question is when

After tax when made

Tax **Free** Accumulation (5-year holding period minimum except for death, disability or age 59-1/2)

Separate Accounting

Same limits as Traditional Salary Deferrals (Tax Deferred Account)

Catch up Contributions allowable Roth

No income limits (unlike IRA)

Once a Roth Always a Roth - No conversion allowed to Traditional Salary Deferrals

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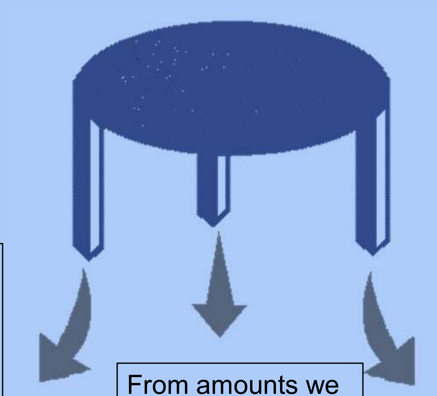
The Three-Legged Stool



From amounts we each save before retirement (personal savings).

From amounts we each get from the retirement system (social security).

From the private retirement system (employer sponsored retirement program).

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Since ERISA: a Fourth Leg

Working

Past

Retirement!

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How Much Will You Need?

Pre-retirement Compensation
$20,000
Replacement Ratio = 85%

Pre-retirement Compensation
$42,000
Replacement Ratio = 77.3%

Pre-retirement Compensation
$103,000
Replacement Ratio = 73%

25

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Human nature has not changed in forty years. In 1974, the psychological tendencies and behaviors of human beings were the same as they are in 2014: people suffer from inertia and shortsightedness—which cause them to emphasize current events over future ones.

Humans want to spend more than they have, both then and now. People in 1974 were charmingly overconfident about their ability to work as they aged. Young people in the 1970s also believed Social Security would not be there for them when they retired.

People today share the same traits and beliefs as those held in 1974, but in 1974, retirement account coverage at work was growing and retirement savings rates were higher.

Retirement Security Worse On ERISA'S 40TH Anniversary - Teresa Ghilarducci – Drexel Law Review

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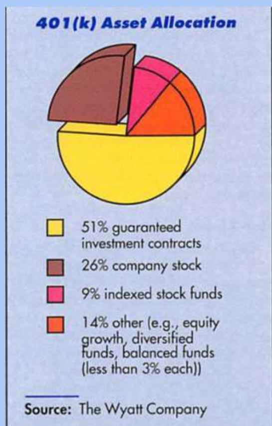
Losing Money Over Time



Investment Choices And Timing Criticized

"Individually directed Sec. 401(k) accounts typically earn two to three percentage points less than large professionally managed pension plans," comments Richard Joss, consultant with the Wyatt Company. Mr. Joss notes that this preference for guaranteed investment contracts, and mistimed movements in and out of the stock market "can mean the difference between a comfortable and not-so-comfortable retirement."

Whatever the media used, the education program should be a continuous project, Mr. Sussman said, perhaps punctuated by meetings or presentations to highlight specific issues of concern to employees or the employer. ❑

1993 Employee Benefit Review. 401(k) Investment Education Commands Interest Of Employers, Employees by Sue Burzawa

29

The Accidental Retirement Evolution

1978: Congress passed the Revenue Act of 1978, including a provision — Section 401(k) — that gave employees a tax-free way to defer compensation from bonuses or stock options. The law went into effect on January 1, 1980.

1981: The IRS issued rules that allowed employees to contribute to their 401(k) plans through salary deductions, which jump-started the widespread roll-out of 401(k) plans in the early 1980s.

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<u>1990:</u> 401(k) plans held more than $384 billion in assets, with 19 million active participants.

<u>1996:</u> Assets in 401(k) plans exceeded $1 trillion, with more than 30 million active participants.

<u>2001:</u> The Economic Growth and Tax Relief Reconciliation Act resulted in several changes to the 401(k)………..increased the amount that individuals and companies could contribute…..participants over the age of 50 to make "catch-up" contributions. In 2017, the contribution limit is $18,000 and the max catch-up contribution is $6,000.

<u>2006:</u> The Pension Protection Act made it easier for companies to enroll employees automatically in 401(k) plans. Some companies even automatically increased their employee's contributions by 1% a year to encourage saving.

<u>Today:</u> 401(k) plans hold more than $4.8 trillion in assets. And pensions, in the private sector, are increasingly rare.

CNBC 2017 A Brief History of the 401(k)

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As of December 31, 2022, the value of retirement accounts in the US was 26.3 Trillion

2023 Congressional Research Services Data in Brief, September 2023

32

1993 Employee Benefit Research Institute Study Issue Brief 144

Over one-half (51.5 percent) of all pension participants with a primary defined benefit plan were covered by a supplemental salary reduction plan in 1991, and among those with such coverage, 65.3 percent participated in the supplemental plan. These individuals accounted for 56 percent of all salary reduction plan participants.

The total participation rate in salary reduction plans almost doubled between 1987 and 1991 and more than tripled between 1984 and 1991. In 1984, 6.1 percent of workers participated in a salary reduction plan, compared with 9.8 percent in 1987 and 19.1 percent in 1991

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1993 Employee Benefit Research Institute Issue Brief 144

In 1991, 14.8 percent of workers not participating in an employment-based plan owned an individual retirement account (IRA). By comparison, 25.8 percent of workers participating in such a plan also owned an IRA. Among workers not participating in an employment-based plan, IRA ownership rates increased with both earnings and age.

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The EBRI/DCIIA study demonstrated that thoughtful plan design and communication when it comes to implementing 401(k) plan participation automatic features can materially alter the long-term savings levels of millions of Americans. Conversely, it showed the damage that low contributions to 401(k) plans can wreak on retirement income adequacy. But is it enough just to focus on aggressively enrolling workers into 401(k) plans? Many don't believe so.

August 1, 2011, Defined Contribution Institutional Investment Association (DCIIA)

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August 1, 2011 Defined Contribution Institutional Investment Association (DCIIA)

Study after study has shown leakage from retirement plans can significantly reduce workers' retirement savings and the amount of money they will have when they retire.

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August 1, 2011 Defined Contribution Institutional Investment Association (DCIIA) Recommendations for Plan Sponsors

- Actively promote the benefits to new employees of rolling over existing balances from former employer's plans into their new employers' plan, possibly as part of the new hire orientation; encourage ways to simplify and
- automate this process.
- Encourage retired employees to leave assets in the plan through communication efforts and through plan design (e.g., by allowing more flexibility around partial distributions).
- Facilitate rollovers by offering streamlined, online rollover options.
- Automatically restart contributions after the statutory six-month suspension period.
- Target communication messages to employees with hardship withdrawals to encourage restarting contributions in the plan.
- Reduce the number of loans allowed and/or restrict the available loan balance.
- Allow loan payments after termination.

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Not so funny

The caption reads, "If we take a late retirement and an early death, we'll just squeak by."

2003 New Yorker Cartoon

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Understanding Your Benefits 2024
Social Security Administration

For example, if a worker starts receiving benefits at full retirement age in 2023, the percentage of their pre-retirement income that Social Security replaces could be:

- Very low earners: Up to 78%
- Medium earners: About 42%
- Maximum earners: About 28%

Most financial advisers say you will need about 70 to 80% of pre-retirement income to live comfortably in retirement, including your Social Security benefits, investments, and personal savings.

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Removing the Income Tax Deferral

Government accountants and economists assert that the tax deferral “costs” the U.S. Treasury about $185 to $200 billion annually in lost revenue.

Removing the tax deferral removes the reason employers and employees want a retirement plan.

Benefits Law Journal Spring 2024 Vol. 37 No. 1

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[Guaranteed Income: A License to Spend](), Research Income Institute, June 2024

The sharp decrease in employer pensions will reduce the percentage of wealth held in guaranteed income among retirees. Prior research finds that retirees don't spend nearly as much as they could from their investments, and surveys of retirees suggest that many retirees don't like the idea of seeing their nest egg shrink even if it leads to a reduction in desired lifestyle.

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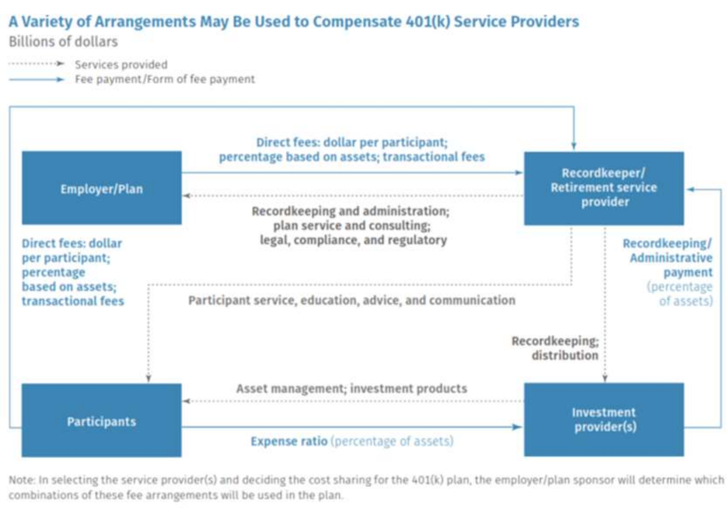
The Economics of Providing 401(k) Plans:
Services, Fees, and Expenses, 2019

Investment Company Institute



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RETIREMENT INSECURITY 2024
AMERICANS' VIEWS OF RETIREMENT – National Institute on Retirement Security

National Institute on Retirement Security

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RETIREMENT INSECURITY 2024 AMERICANS' VIEWS OF RETIREMENT – National Institute on Retirement Security

- Americans express strong support for pensions. More
- than three-fourths of Americans have a favorable view of
- pensions, while 77 percent agree that the disappearance of pensions makes it harder to achieve the American Dream. Eighty-three percent of Americans say that
- all workers should have a pension so they can be
- independent and self-reliant in retirement.

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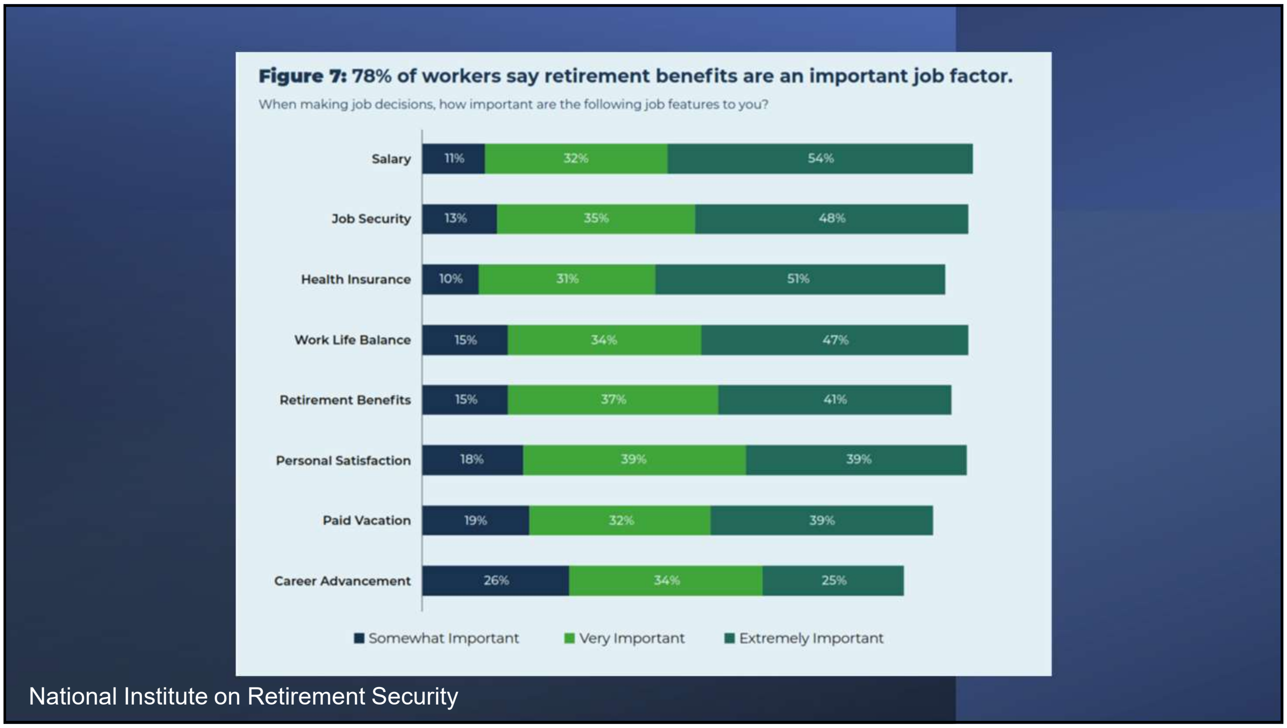

Figure 7: 78% of workers say retirement benefits are an important job factor.
When making job decisions, how important are the following job features to you?
Salary 11% 32% 54%
Job Security 13% 35% 48%
Health Insurance 10% 31% 51%
Work Life Balance 15% 34% 47%
Retirement Benefits 15% 37% 41%
Personal Satisfaction 18% 39% 39%
Paid Vacation 19% 32% 39%
Career Advancement 26% 34% 25%
Somewhat Important
Very Important
Extremely Important
National Institute on Retirement Security

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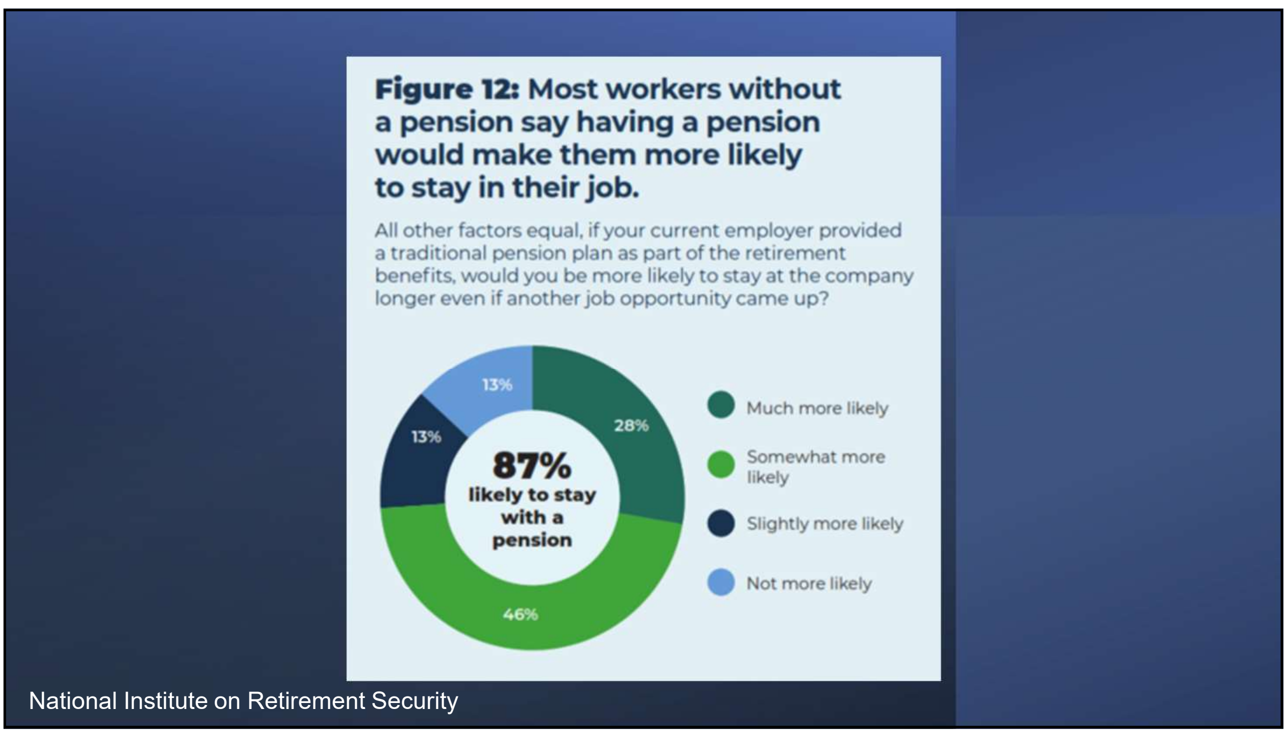

Figure 12: Most workers without a pension say having a pension would make them more likely to stay in their job.
All other factors equal, if your current employer provided a traditional pension plan as part of the retirement benefits, would you be more likely to stay at the company longer even if another job opportunity came up?
13%
28%
13%
87% likely to stay with a pension
46%
Much more likely
Somewhat more likely
Slightly more likely
Not more likely
National Institute on Retirement Security

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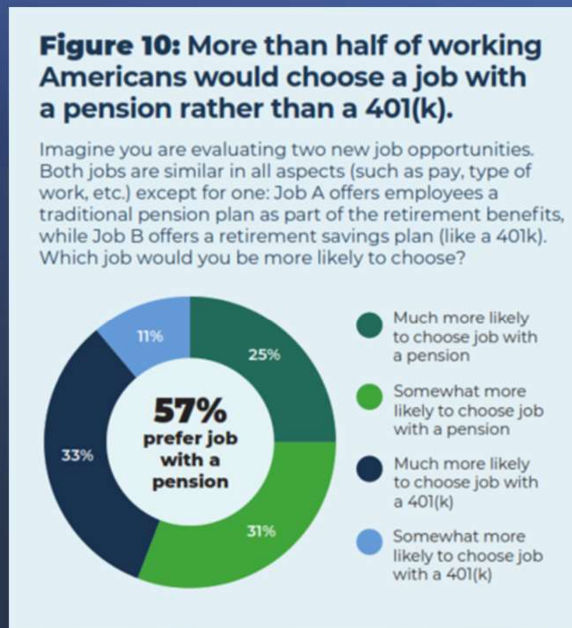

National Institute on Retirement Security

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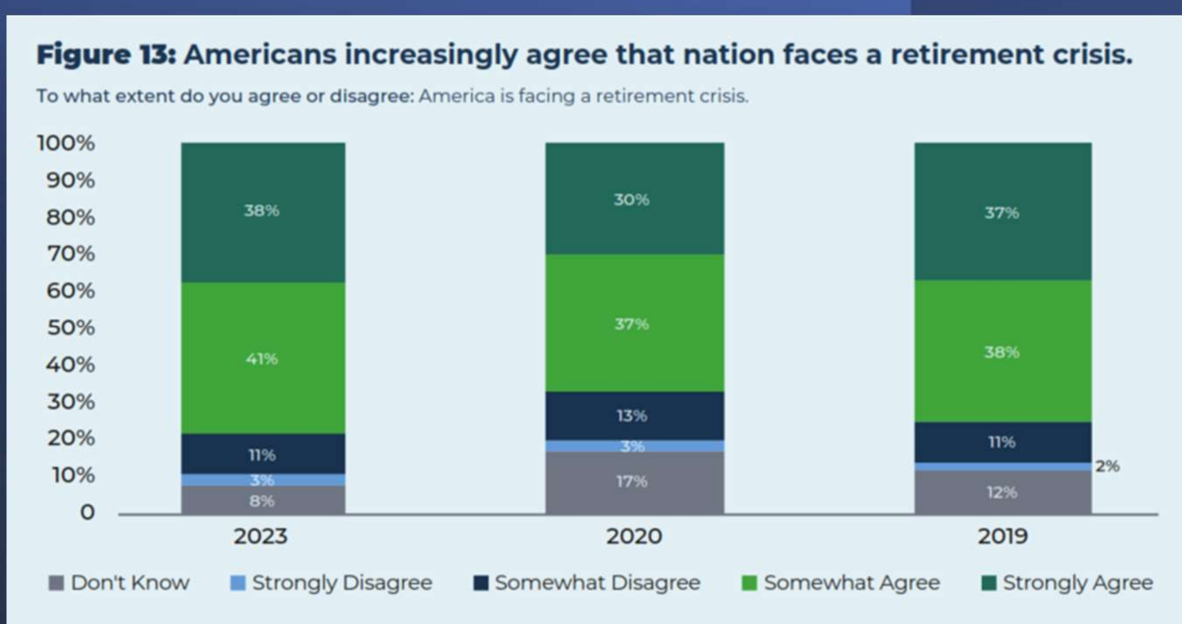

National Institute on Retirement Security

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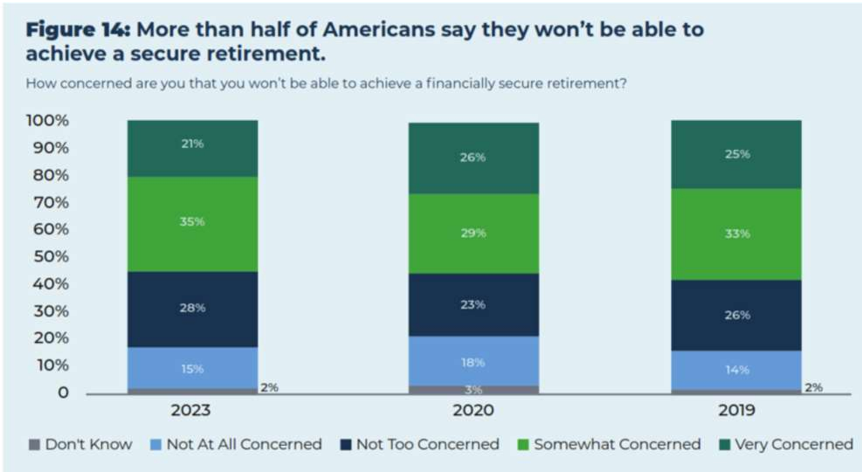

National Institute on Retirement Security

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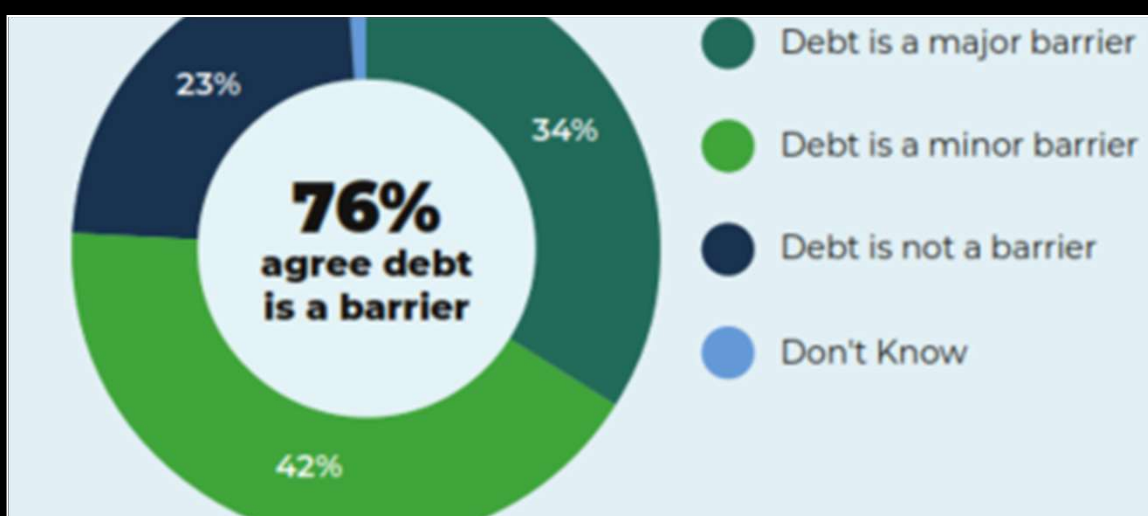

National Institute on Retirement Security

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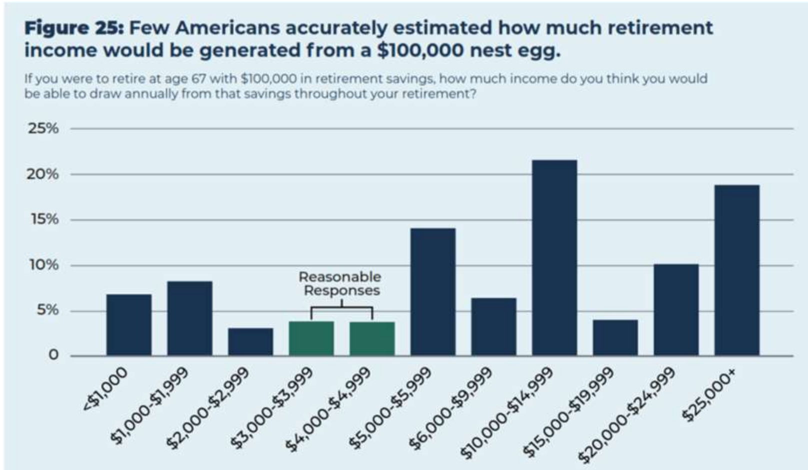

National Institute on Retirement Security

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NIRS Asked Americans

Describe the ways in which your vision of retirement has changed.

"I need to win a lottery to be comfortable with my future retirement fund. I have nothing saved so it's looking like I'll be working in retirement."

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Money For Nothing

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Employer Tax Credit for Setting Up a Retirement Plan

- Eligible Employers: 100 or fewer employees with more than $5,000 of compensation and at least one NHCE; and in the past 3 years EEs cannot have received contributions or accrued benefits in another plan sponsored by the ER (SEP IRA, SIMPLE IRA and QRPs).
  - The tax credit was 50% of ordinary and necessary costs up to $500 each year for first 3 years (max $1,500). The SECURE Act (Section 104) increased the maximum to $500 or the lesser of (a) $250 multiplied by the number of NHCE of the eligible employer who are eligible to participate in the plan or (b) $5,000.
    - Claim the credit on IRS Form 8881 for each of the first 3 years of the plan.
- The SECURE Act (Section 105) also creates a new 3-year tax credit ($500 each year) for small employers for start up costs for new pension plans and SIMPLE IRA that include automatic enrollment.

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Saver's Credit

2024 Saver's Credit

Credit rate	Married filing jointly	Head of household	All other filers*
50% of your contribution	AGI not more than $46,000	AGI not more than $34,500	AGI not more than $23,000
20% of your contribution	$46,001- $50,000	$34,501 - $37,500	$23,001 - $25,000
10% of your contribution	$50,001 - $76,500	$37,501 - $57,375	$25,001 - $38,250
0% of your contribution	more than $76,500	more than $57,375	more than $38,250

*Single, married filing separately, or qualifying widow(er)

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Savers Match – January 1, 2027

Table 1: Calculation of Match, by AGI & Filing Status (assumes $2,000 contribution)

Modified AGI	Single	HOH	Joint
$20,000	$1,000	$1,000	$1,000
$25,000	$700	$1,000	$1,000
$30,000	$367	$1,000	$1,000
$35,000	$33	$811	$1,000
$40,000	$0	$589	$1,000
$45,000	$0	$367	$867
$50,000	$0	$144	$700
$55,000	$0	$0	$533
$60,000	$0	$0	$367
$65,000	$0	$0	$200
$70,000	$0	$0	$33
$75,000	$0	$0	$0

Savings Match Estimator:
https://rch1.com/savers-match-estimator

Courtesy of Retirement Clearinghouse

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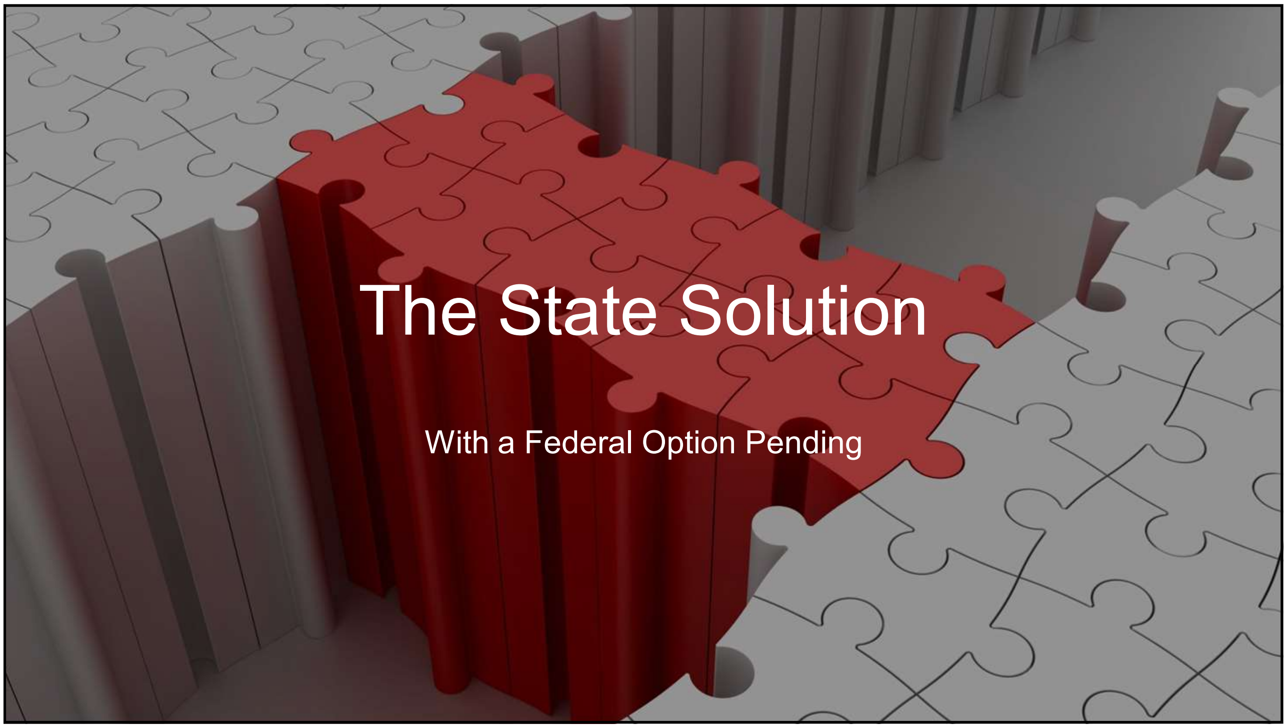

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General Structure of State Mandated IRAs

Defined in statute

- Type of IRA
- Determination of employees that must be covered
- Rollout program with registration dates
- Contribution percentage and whether program has an automatic increase feature
- Types of investment funds
- Fees and expenses
- Penalties for employers for non-enrollment
- Oversight of program
  - Generally delegated to a retirement board
  - Responsible to hire a third-party administrator
  - Responsible to hire an investment provider

MGR021224337618

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Future of State Mandated IRAs

- Continue to grow
- States are learning from experiences of other state programs
- Entry of Vestwell and Ascensus into administration of state mandated IRAs
- Colorado formed its first interstate auto-IRA program partnership with Maine
  - Engaging with other states to join the partnership (including Delaware and Vermont)

★ Provide valuable opportunity for financial advisers and service providers to educate employers about requirements and limitations of state mandated IRAs and discuss traditional retirement plan alternatives to meet needs of employers and their employees

- 2021 report from Pew Charitable Trust shows that state mandated IRAs has had a positive impact on the creation and retention of private plans[1]

1 New State Retirement Savings Programs Prompt Increased Private Plan Adoption | The Pew Charitable Trusts (pewtrusts.org)

John Hancock

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Status and Growth of State Mandated IRAs

Live IRA Programs	Enacted but awaiting development / implementation	Introduced Legislation
California	Delaware	District of Columbia
Colorado	Hawaii	Massachusetts
Connecticut	Minnesota	Pennsylvania
Illinois	Nevada	Rhode Island
Maine	New Jersey	
Maryland	New York	
Oregon	Vermont	
Virginia		

https://cri.georgetown.edu/states/

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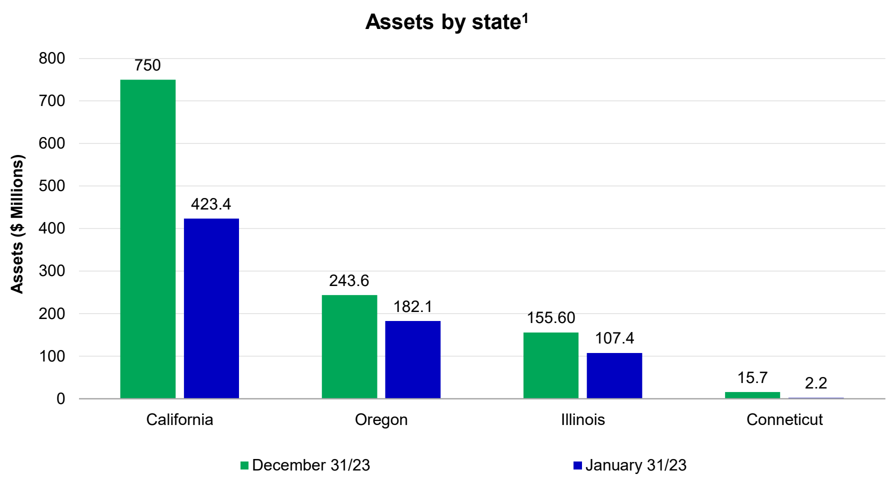
State plans have a place

Assets continue to grow



1 State Program Performance Data - Current Year - Georgetown Center for Retirement Initiatives

John Hancock

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State plans vs. 401(k)

John Hancock

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Comparison of key features

	State plans	401(k) Profit sharing
Contribution limits – employee	$7000 ($8000 if age 50 or over)	$23,000 ($30,500 if age 50 or over)
Income limits	Phase-out range based on income and filing status $146,000 and $161,000 for single and head of household filers $230,000 and $240,000 for married couples filing jointly	Allowed up to $345,000
Employer contributions	No	Allowed
Investment options	Limited – usually a TDF and a few other funds	Greater flexibility, determined by plan
Tax Benefits	None for employer Roth for employee	Tax credits and reduction in payroll taxes
Auto features	Per state plan design	Allowed

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Comparison of contributions

	Roth IRA	SIMPLE IRA	401(k)
Maximum elective contribution	$7,000 plus additional $1000 for individuals 50 and older	$16,000 plus an additional $3,500 for employees age 50 and older	$23,000 plus an additional $7,500 for employees age 50 and older
Maximum employer contributions	N/A	Nonelective contribution – 2% of employee's salary **OR** Matching contribution – up to 3% of employee's salary	$38,500
Maximum elective contribution and employer contribution	$8,000	$19,500 plus employer required matching or nonelective contribution	$69,000 (or $76,500 for employees age 50 or older)

2024 IRS limits

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Increasing 401(k) funding by adding profit sharing

401(k) plan with profit sharing: percentage of employer contribution going to owners[1,2]		Employer-provided profit-sharing and safe harbor 401(k) contributions		
	Total employer standard and catch-up contributions	Traditional safe harbor 401(k) and profit-sharing plan[2]	Permitted disparity for profit-sharing plan[2]	New comparability for profit-sharing plan[2]
Three HCEs	$91,500	$138,000	$138,000	$138,000
Eight non-highly compensated employees (NHCEs)	$31,260	$52,668	$39,996	$17,424
Total		**$190,668**	**$177,996**	**$155,424**
Percentage of total to HCEs/owners		**73.38%**	**77.53%**	**88.79%**

ASSUMPTION: The examples are hypothetical and intended for illustrative purposes only. They do not take into consideration a number of variables that may need to be included in a specific plan's contribution calculation. Your plan consultant will be able to assist you with generating an actual allocation formula and performing discrimination testing.

1 IRS regulations allow certain types of allocation methods, if they fall within the range allowed by nondiscrimination tests. A local plan consultant can help maximize the benefits for key employees by taking advantage of legitimate plan design options. **2** All numbers are based on employer contributions, 3.0% safe harbor contributions for both HCEs and NHCEs profit-sharing contributions intended to be optimal for HCEs, and 10.3% profit-sharing employer contributions, adjusted for NHCEs to 7.1% for permitted disparity examples and 1.4% for new comparability examples. Maximum compensation of $345,000 is used for HCEs. Plan allocations were designed to maximize the owners at a total allocation of $76,500.

State plans have lower employee contribution rates than 401(k)s*

California	Illinois	Oregon	Colorado
5.13% average contribution rate[1]	**5.8%** average contribution rate[1]	**6.3%** average contribution rate	**5.0%** Average contribution rate

Average contribution rate for 401(k)s= 7.4%[2]

*401(k)'s typically have both employee and employer contributions.
1State Program Performance Data - Current Year - Georgetown Center for Retirement Initiatives
2 Here Is the Average 401(k) Contribution Rate -- The Amount May Surprise You (fool.com)

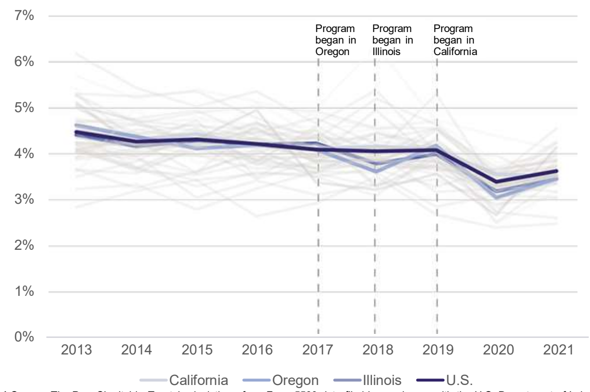
Those with existing retirement plans are staying put

Companies are not switching to state plans

Figure 2[1]

Share of retirement plans terminated by private sector employers, 2013 to 2021

Little change nationwide—or in states that enacted automated savings programs



These states all had termination rates of existing retirement plans that were below the national average in 2021.

They were all well below one percent, showing that those with existing 401(k)s are not leaving them in favor of the state option.

California
0.03%

Illinois
0.27%

Oregon
0.41%

1 Source: The Pew Charitable Trusts' calculations from Form 5500 data filed by employers with the U.S. Department of Labor.

https://www.pewtrusts.org/en/research-and-analysis/articles/2023/04/14/state-automated-retirement-savings-programs-continue-to-complement-private-market-plans, Pew Research Center, Washington, D.C., 2023

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401(k)s can allow greater plan design flexibility

- Optional matching
- Safe harbor
- Optional profit sharing
- Vesting
- Loan features
- Cash balance

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Tax credits are available

Most start-up plans are free for first 3 years

Administrative credits	Covers up to 100% of start-up costs, up to $5000 per year for 3 years
Auto-enroll credits	$500 per year for 3 years for using auto-enroll
Contribution credits	Up to $1000 per participant credit on sliding scale for first 5 years

New Start-up 401(k) tax credits

John Hancock

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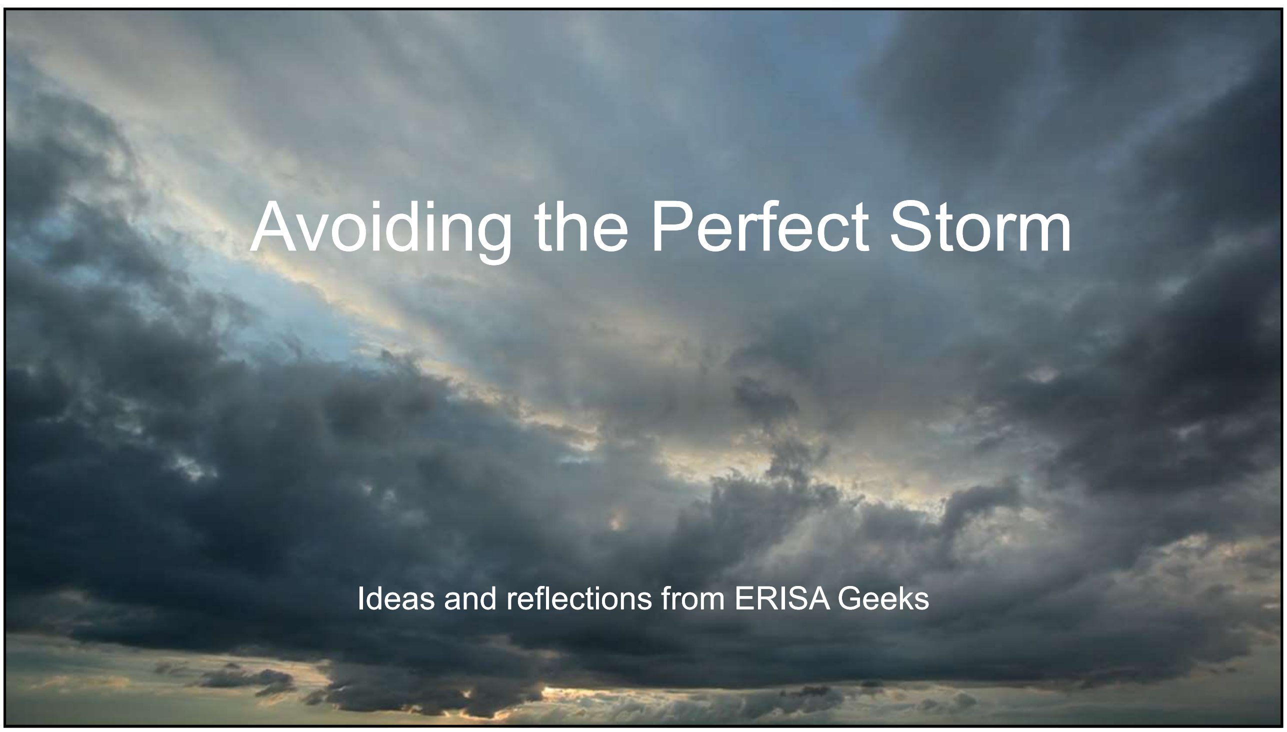

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Patching Up the Four-Legged Economic Stool for Retirement Income

- Education – basic, first grade to life-long learning
- Cultural identification
- Social security – what are options for the lower paid, funding
- IRAs – fiduciary concerns with fees, retail cost, leakage
- Retiree option to stay in plan
- Removing employer incentives – enhancing them
- Reinstate a pension plan incentive
- Change the pension accounting standards
- Social Security Bridge to Age 70 for low paid workers

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