

# The Scope of Retirement Income Insecurity Among Illinois Workers



January 29, 2014

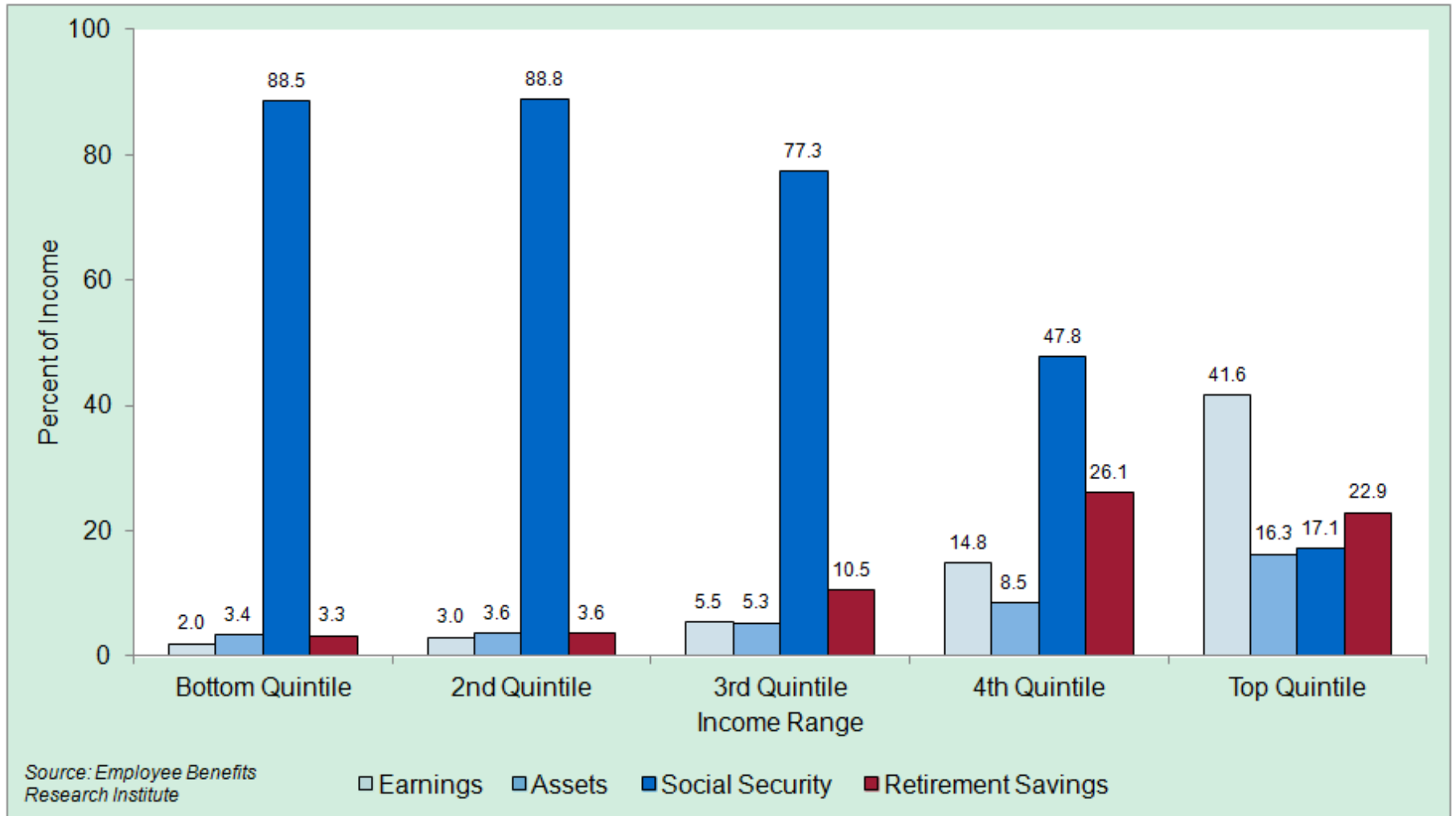
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# Overview of the Approach

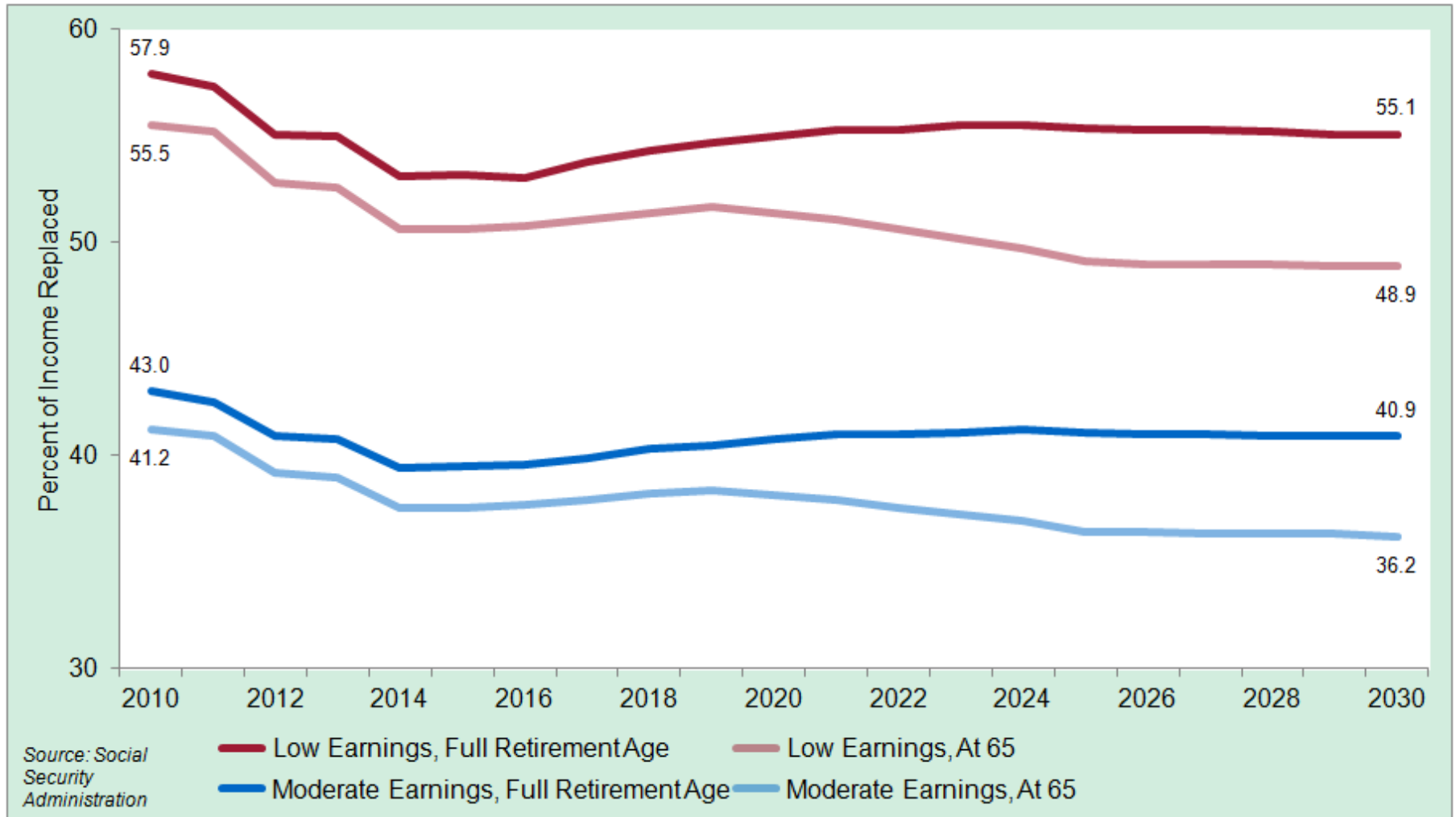
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- Establish the context
  - current trends in retirement income
- Define the extent of the problem
  - how many private-sector workers lack access to an employment-based retirement savings plan
- Develop a proposal
  - auto IRA
- Build support and target message
  - policy advocacy supported by data

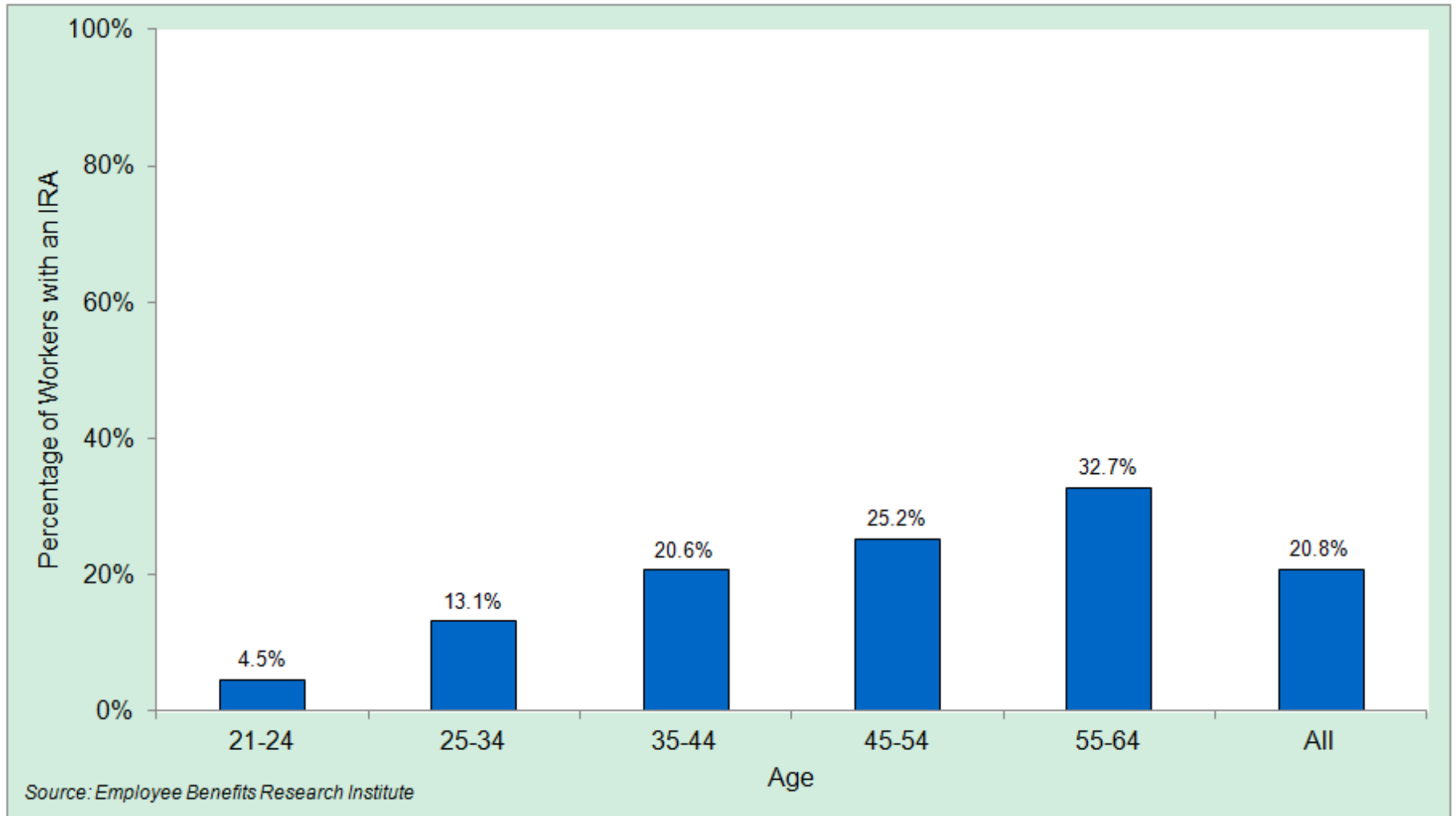
# Sources of Retirement Income, 2010



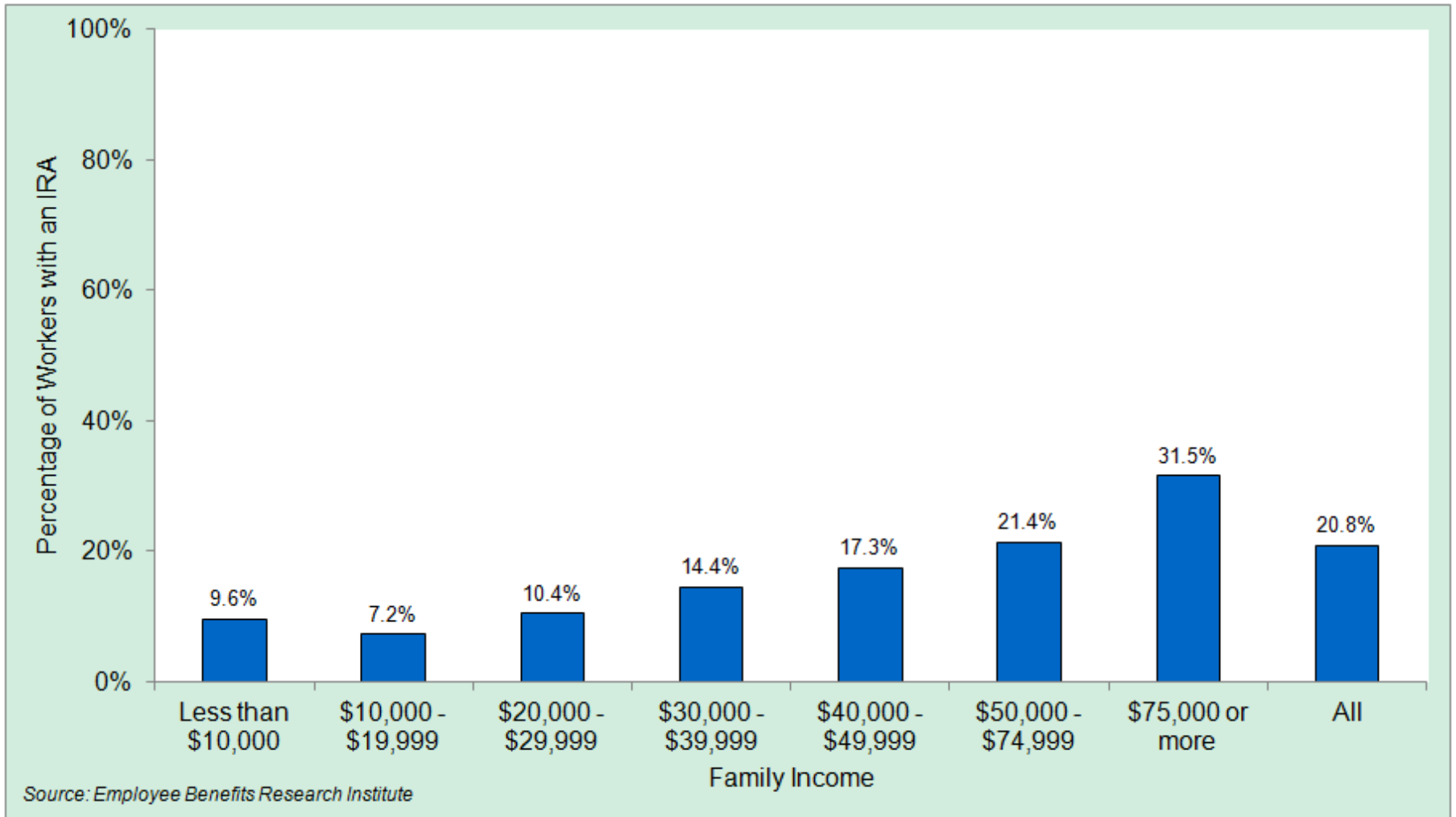
# Social Security Replacement Rate



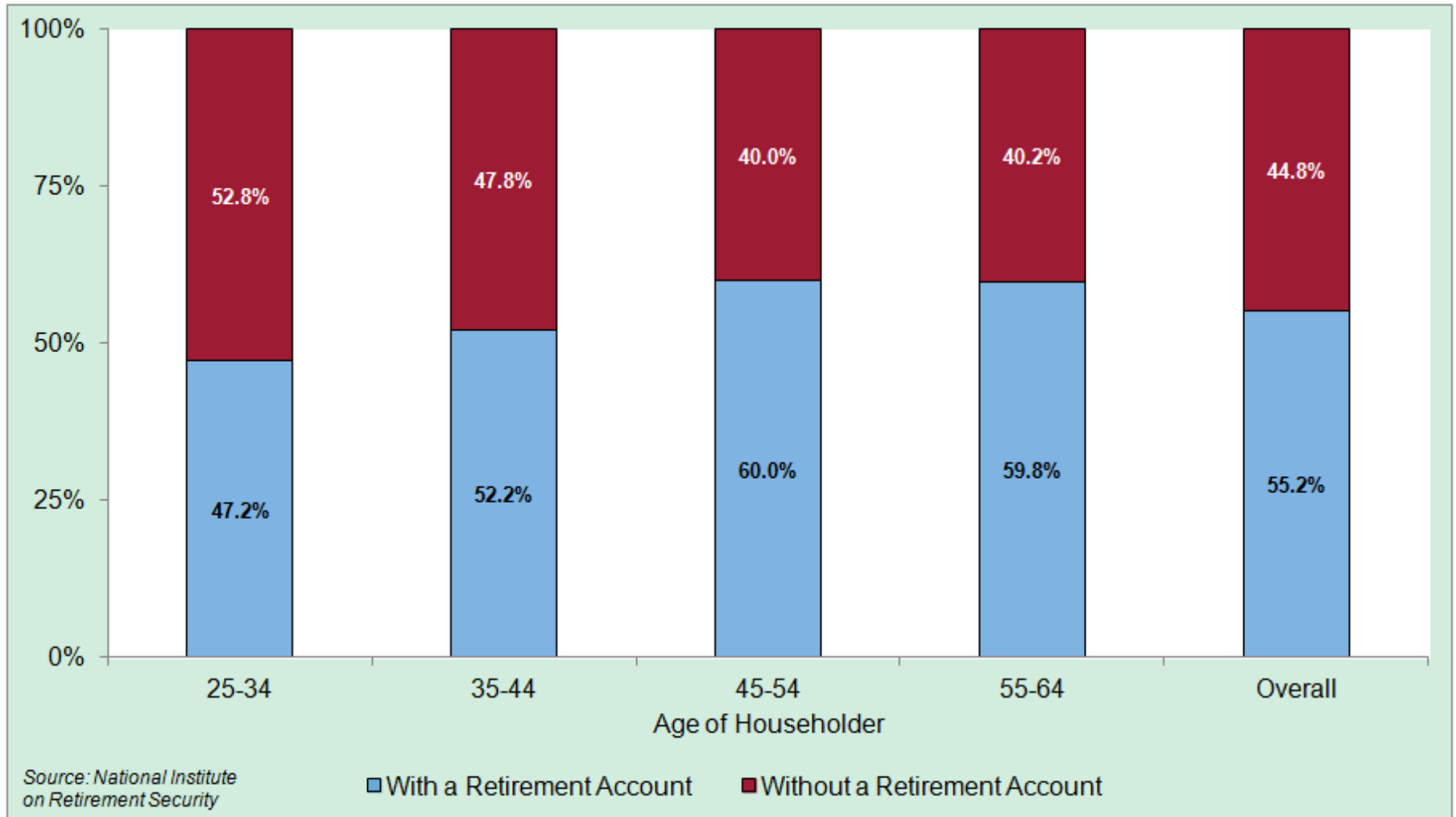
# IRA Ownership by Age, 2009



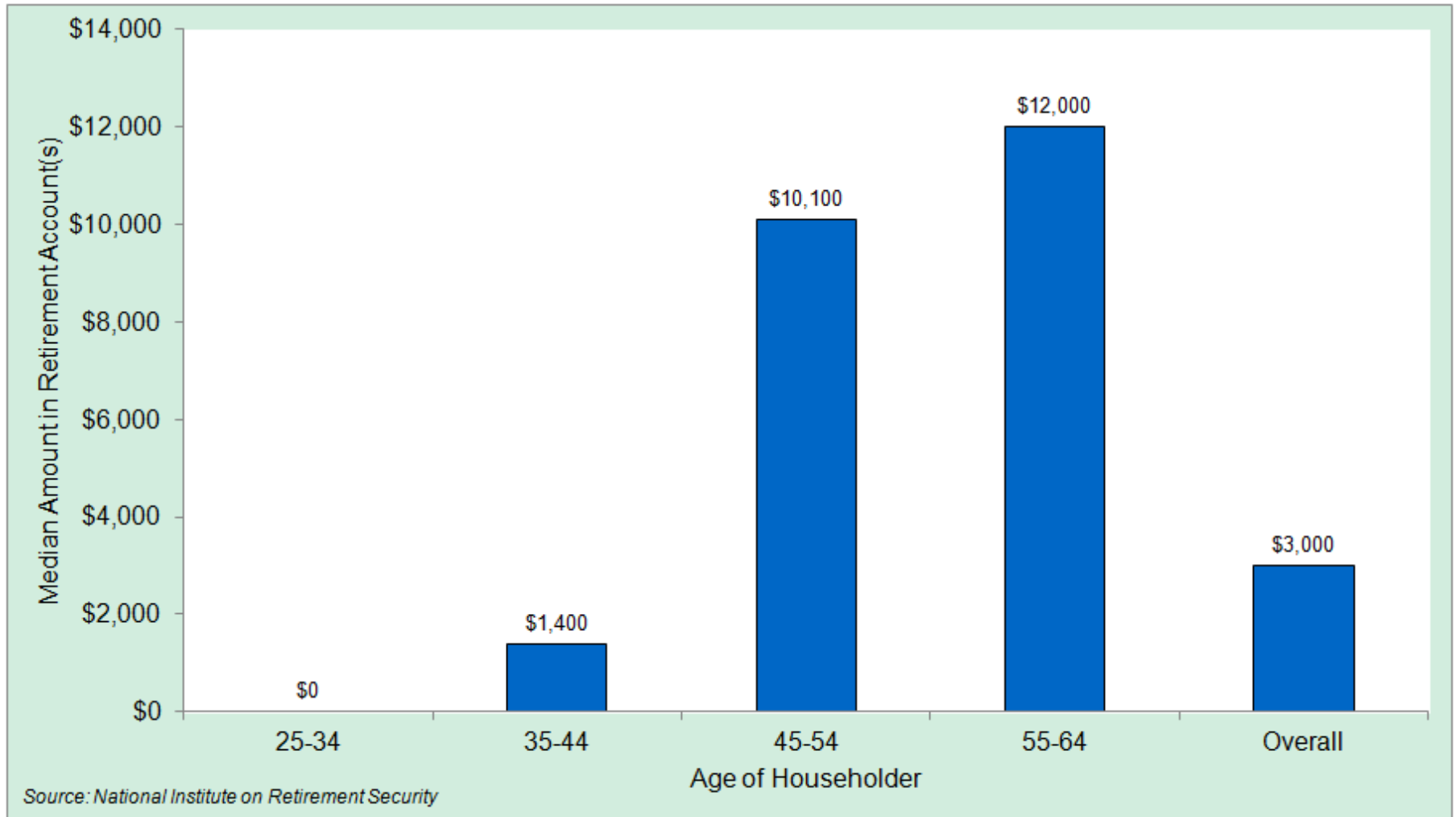
# IRA Ownership by Family Income, 2009



# Retirement Account Ownership, by Age, 2010

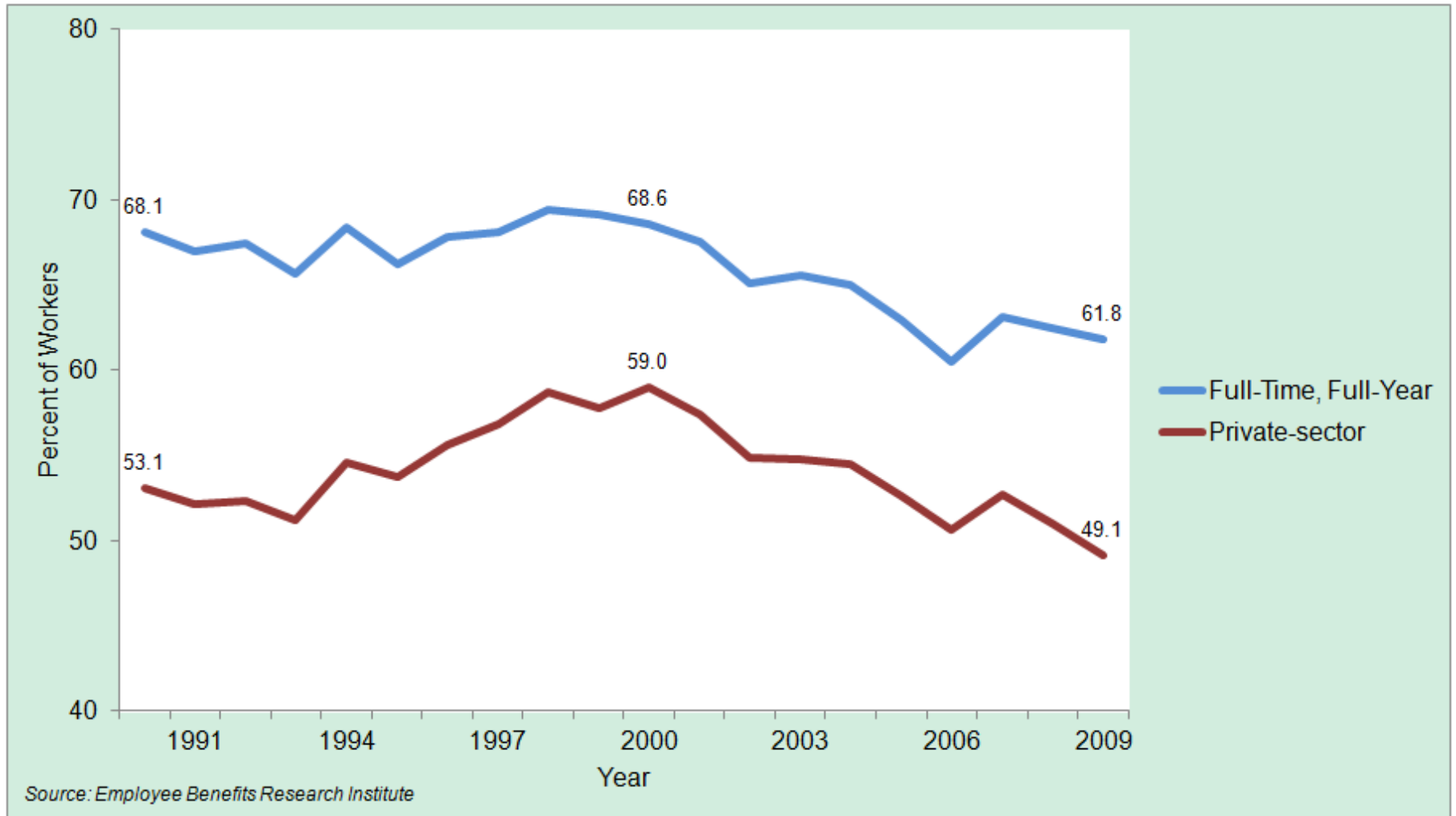


# Median Amount in Retirement Account, by Age, 2010

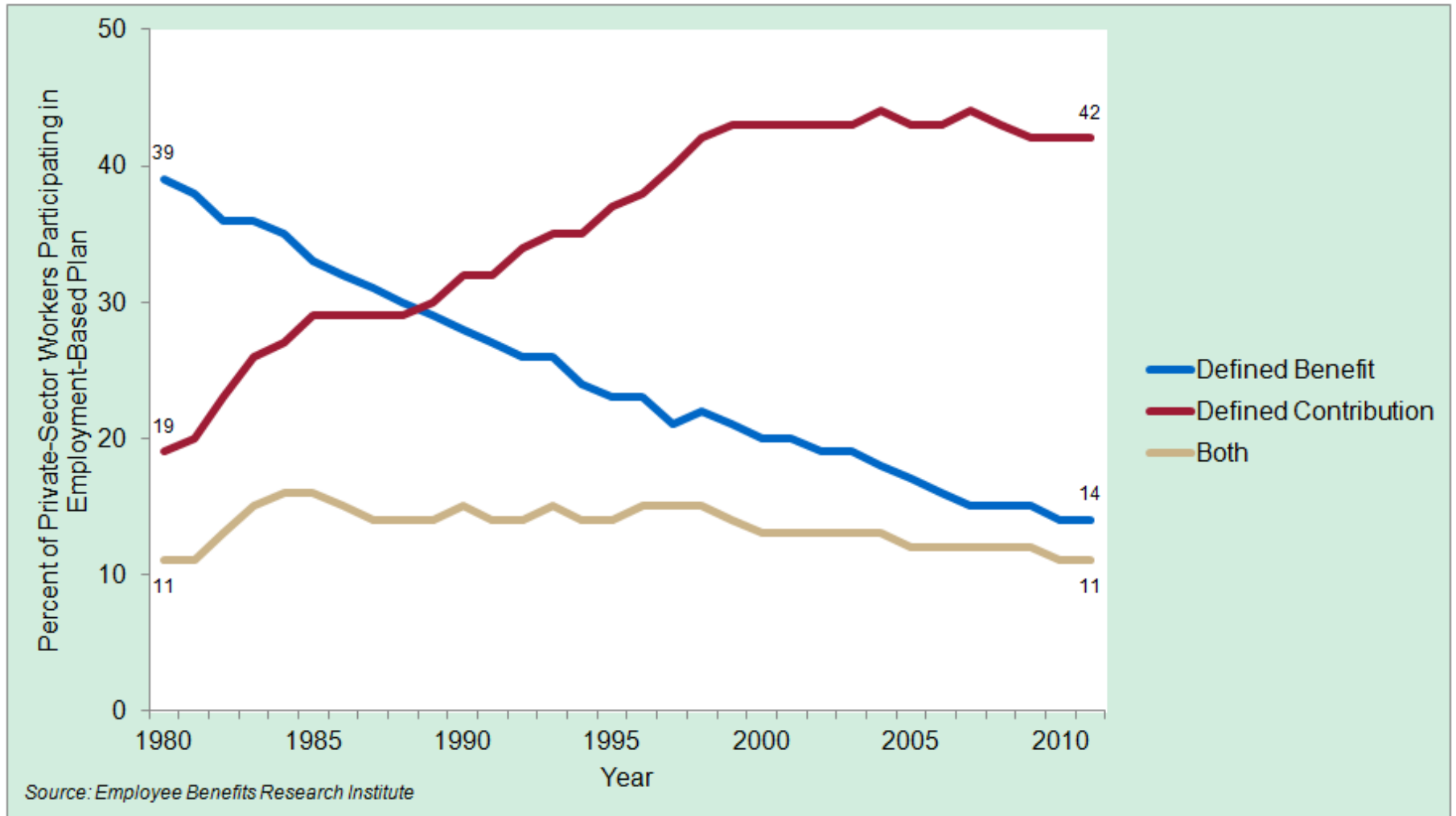




# Access to a Savings Plan at Work, Wage and Salary Workers 21-64



# Participation in a Savings Plan at Work



# Tailoring to the Illinois Workforce

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- Some workers more likely to have access
  - public-sector
  - heavy industries
  - unionized industries
- Some workers less likely to have access
  - private-sector
  - high turn-over
  - low-skill
  - non-union

# Quantifying the Problem

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- Number of workers in each industry
  - all private-sector jobs
  - In Illinois
- Percent of employers within each industry offering workers a retirement plan
  - 2 digit industry (NAICS) code
  - national

# Example

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- Employment data
  - 599,149 workers in Illinois are employed in the retail trade industry
- Retirement plan data
  - 49.0 percent of employers in the retail trade industry sponsor a plan
- 293,583 workers have access (49.0%)
- 305,566 do not have access (51.0%)

# Findings for Illinois

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- Over 2.5 million private-sector workers in Illinois (53.4%) do not have access to an employment-based retirement savings plan
  - 315,600 in accommodation and food services
  - 245,400 in admin and support services
  - 357,600 in health care and social assistance
  - 305,500 in retail trades

# Policy Implications

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- If nothing is done
  - many retirees will face decreased standard of living
  - many adults will need to help support their aging parents
  - government will face increased pressure to bolster the social safety net
  - business will face diminished investment from retirement plans

# Policy Proposal

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- Create an employment-based retirement savings plan at state or federal level
  - with automatic enrollment and opt-out provision
- Portable and immediately vested
  - to deal with more frequent job changes
- Tax advantaged
  - either deductible contribution or tax-free distribution and tax-free accumulation



# Building Support

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- Illinois Asset Building Coalition
  - Heartland Alliance, Shriver Center, Woodstock Institute
- Unions
  - SEIU, AFSCME, AFL-CIO
- Business groups
  - Black Chamber of Commerce, Nat'l Ass'n of Women Business Owners, Ariel Investments, Cabrera Capital, North Side FCU
- Legislative leadership

# Preparing for Opposition

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- Business groups
  - oppose new mandate
- Financial institutions
  - taking potential clients

# Messaging

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- Speak to legislators
  - data by legislative district
- Illinois Secure Choice Savings Plan
  - rebranding from auto IRA
- Cost estimates
  - least expensive alternative
  - minimal cost to business

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