The Scope of Retirement Income Insecurity Among Illinois Workers

January 29, 2014

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Overview of the Approach

• 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
Social Security Replacement Rate

Source: Social Security Administration
IRA Ownership by Age, 2009

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-24</td>
<td>4.5%</td>
</tr>
<tr>
<td>25-34</td>
<td>13.1%</td>
</tr>
<tr>
<td>35-44</td>
<td>20.6%</td>
</tr>
<tr>
<td>45-54</td>
<td>25.2%</td>
</tr>
<tr>
<td>55-64</td>
<td>32.7%</td>
</tr>
<tr>
<td>All</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

Source: Employee Benefits Research Institute
IRA Ownership by Family Income, 2009

Percentage of Workers with an IRA

<table>
<thead>
<tr>
<th>Family Income</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $10,000</td>
<td>9.6%</td>
</tr>
<tr>
<td>$10,000 - $19,999</td>
<td>7.2%</td>
</tr>
<tr>
<td>$20,000 - $29,999</td>
<td>10.4%</td>
</tr>
<tr>
<td>$30,000 - $39,999</td>
<td>14.4%</td>
</tr>
<tr>
<td>$40,000 - $49,999</td>
<td>17.3%</td>
</tr>
<tr>
<td>$50,000 - $74,999</td>
<td>21.4%</td>
</tr>
<tr>
<td>$75,000 or more</td>
<td>31.5%</td>
</tr>
<tr>
<td>All</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

Source: Employee Benefits Research Institute
Retirement Account Ownership, by Age, 2010

Source: National Institute on Retirement Security
Median Amount in Retirement Account, by Age, 2010

Source: National Institute on Retirement Security
Access to a Savings Plan at Work, Wage and Salary Workers 21-64

Source: Employee Benefits Research Institute
Participation in a Savings Plan at Work

Source: Employee Benefits Research Institute
Tailoring to the Illinois Workforce

• 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

• 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

• 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

• 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

• 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

• 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

• 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

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

• 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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