Panel 1:
Navigating the Retirement Roadblocks

Big Three: Access; Distributions & Roll Overs; Education

Access

Aron Szapiro, Head of Policy Research, Morningstar

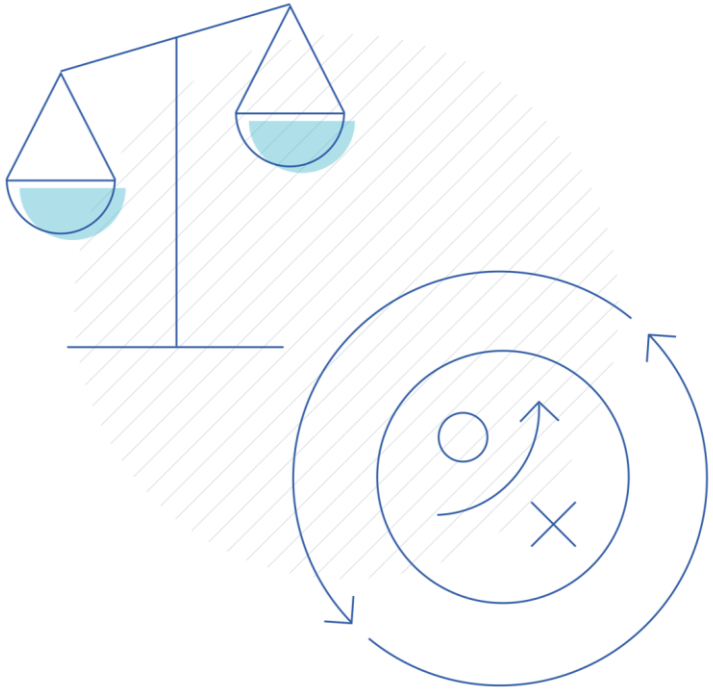
Panacea or Paperwork

What Does the Past Performance of Multiple-Employer Plans Suggest About the Potential of Newly-Legal Pooled Employer Plans?

Aron Szapiro, Head of Policy Research

Key Parts of the PEPs Legislation and Terminology

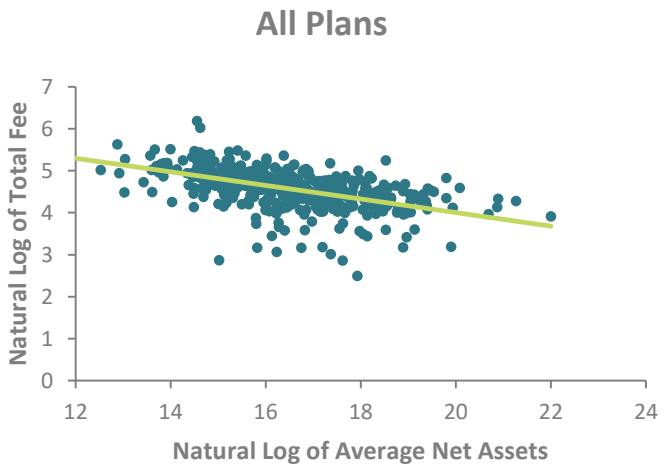
- Removes two key barriers to “open MEPs”
- Creates pooled employer plans, which must have a pooled plan providers (who are fiduciaries)
- Does not require certification—just registration
- Audit and filing exemption for plans under 1,000 participants

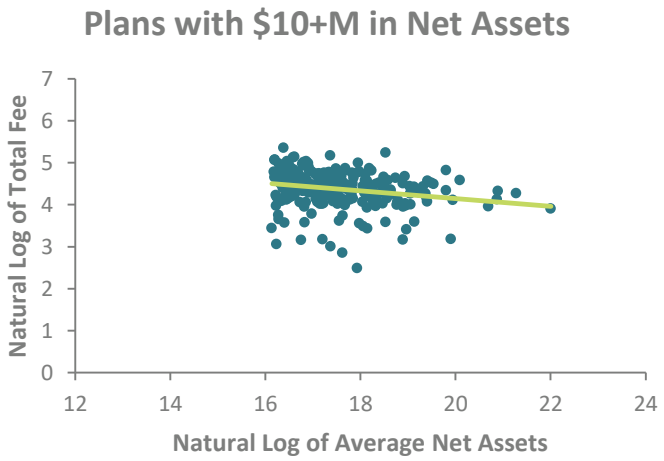


Analyzing Existing MEPs Reveals that PEPs Can Reduce Fees as they Grow, but there are Challenges

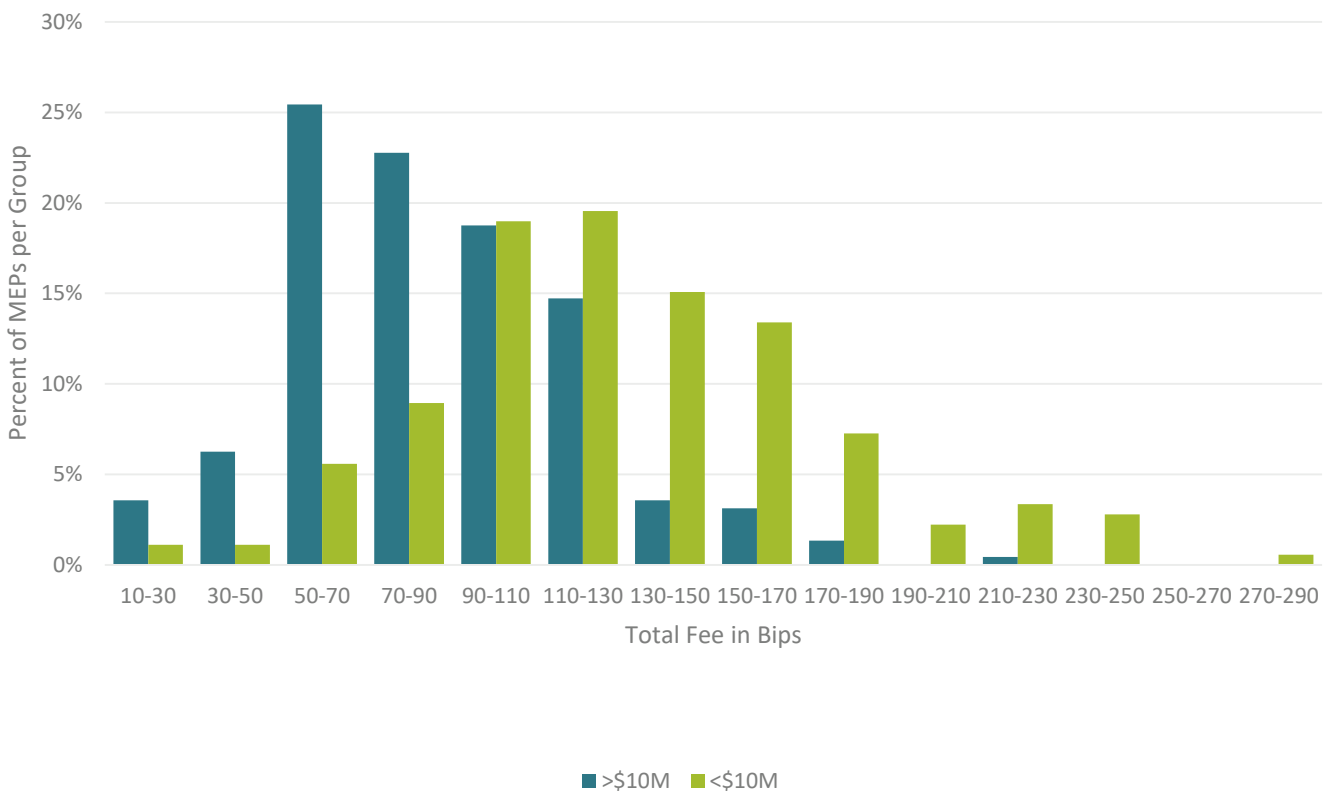
- Each percent increase in pooled plan assets reduces fees by 0.312%, holding the number of participants and number of employers constant
- When plans achieve $10 million in assets, each percent increase in pooled plan size reduces fees by 0.277%
- However, each additional participant is associated with a small rise in per participant cost
- This analysis employs this regression: $Lfee = \beta_0 + \beta_1 LAum + \beta_2 LPart + \beta_3 LEmp + u$ where *Lfee* is the natural log of total fee, *LAum* is the natural log of the plan's assets, *LPart* is the natural log of the number of participants, and *LEmp* is the natural log of the number of employers.

MEP Costs Scale with Size and are Fairly Predictable





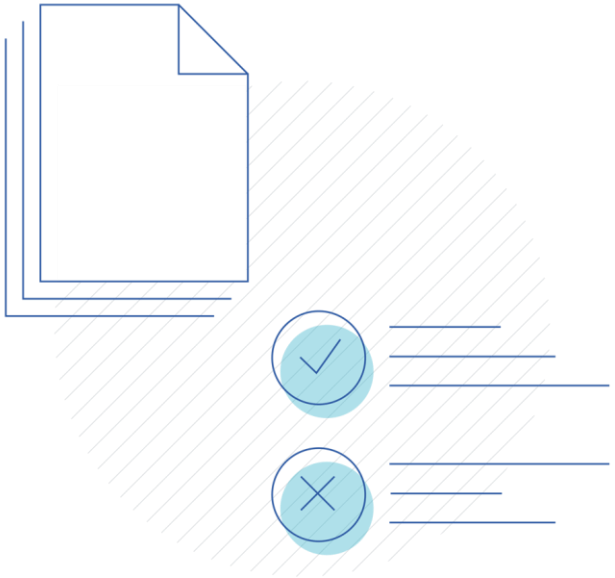
Side-by-Side Histogram Illustrates Smaller Variance in Fees for Larger Plans



Many Existing MEPs are Small and Have a Wide Variance in Fees

- 31% of MEPs with under $10 million in assets charge more than 150 basis points across plan and investment fees
- Extending full filing exemptions to PEPs with 100 to 1,000 participants could lead to large gaps in data
  - These plans struggle to consistently offer competitive fees with a higher variance in their fees than in larger plans
  - 87% MEPs that reached 100 participants stay below 1,000 for 5 years

Policy Recommendations



- Curb reporting and audit relief available for small PEPs if they do not sufficiently scale up
- Compel pooled plan providers to clearly and consistently disclose costs so that employer sponsors can more easily choose between PEPs and monitor a PEP they join
- Ensure that PEPs aren't too "sticky"

Auto Portability

Spencer Williams, Retirement Clearinghouse

Auto Portability

Spencer Williams, Retirement Clearinghouse

How Auto Portability Works

Prepared for:

June 23, 2020

Spencer Williams, CEO

What is Auto Portability?

Auto Portability Makes Portability a New Plan Default Feature

The automatic movement of a terminated participant's small balance account (less than $5,000) from a former employer's retirement plan to an active account at a new employer's plan, when a participant changes jobs.

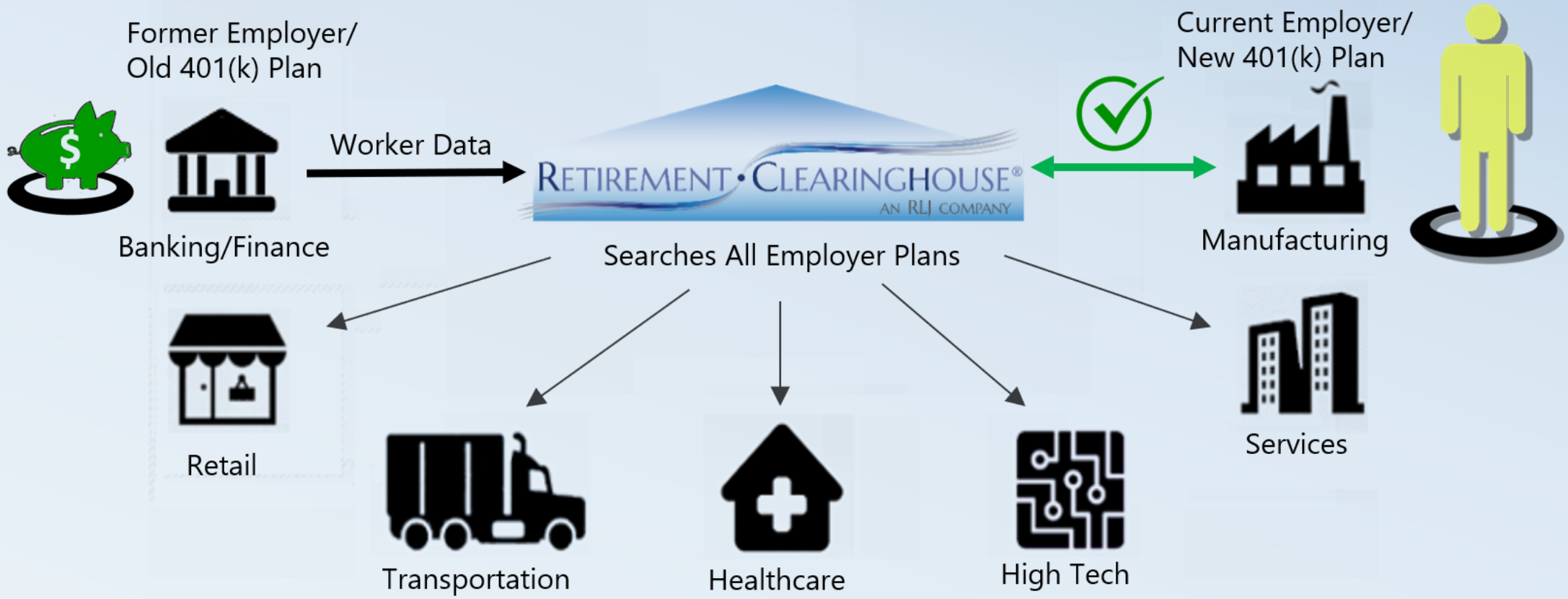
How Auto Portability Works

STEP 1: Worker Changes Jobs

How Auto Portability Works

STEP 1: Worker Changes Jobs

STEP 2: Locate Worker



How Auto Portability Works

STEP 1: Worker Changes Jobs

STEP 2: Locate Worker

STEP 3: Match Data

How Auto Portability Works

STEP 1: Worker Changes Jobs

STEP 2: Locate Worker

STEP 3: Match Data

STEP 4: Account Follows Worker

What Changes with the Introduction of Auto Portability?

- **Auto Portability Makes Portability a New Plan Default Feature: Changes existing mandatory distribution practices from a 'landfill' to a 'recycling'** operation – instead of balances invested in money market funds and eroded by safe harbor IRA fees, balances rolled forward are **defaulted to a QDIA (typically a target date fund),** a more appropriate investment vehicle.

- For the plan sponsor, the end result is a process that removes problem terminated participant accounts (missing participants, uncashed checks), and incubates new hire accounts.

- For the participant, the new default reduces cash outs (no longer the easiest choice), avoids redundant or excessive fees, and maximizes retained savings, thereby improving retirement outcomes.

A Myriad of Network Use Cases

Consumer Education

Lynne Ford, ICMA-RC

ICMARC

BUILDING PUBLIC SECTOR
RETIREMENT SECURITY

Navigating Retirement Roadblocks

Lynne Ford
ICMA-RC, CEO and President
June 23, 2020

Only For Those Who Serve

Dedicated to providing the best financial wellness and retirement planning services for those who serve their communities.

- Founded by the public sector in 1972
- Non-profit organization with a volunteer Board of Directors made up of public and private leaders
- Focused on Government, Education, Healthcare and Not-for-Profit

ICMARC
BUILDING PUBLIC SECTOR RETIREMENT SECURITY

Employee Insights

Removing complexity and increasing relevance is essential to promoting actions that help employees secure their future.

Many workers feel they don't make enough money to save for retirement and cover their day-to-day expenses.

Some are focusing on other financial priorities, such as paying off debt or saving for a major investment like a house or education.

Confusion or lack of knowledge surrounding what plans employers provide and how to plan for retirement may discourage participation.

Employees say they plan to work longer – beyond the 'standard' retirement age of 65. They don't feel any urgency to save now.

Retirement can feel too far away or too abstract – especially for younger workers – so they don't want to save now.

29% of employees said insufficient income was their primary reason for not saving for retirement[1]

Almost 9 in 10 public workers carry some kind of debt[2]

3 in 10 workers don't know whether their employers offer retirement plans[3]

~70% of Baby Boomers expect to or already are working past age 65 and don't plan to retire[4]

54% of Millennials say they prefer not to think about retirement investing until they get closer to retirement age[5]

1. Deloitte, 2019 Defined Contribution Benchmarking Survey Report, https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-the-retirement-landscape-has-changed-are-plan-sponsors-ready.pdf
2. Pew Charitable Trust, A Profile of Younger Public Workers, https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/05/retirement-needs-and-preferences-of-younger-public-workers
3. Chicago Tribune, "Survey: 3 in 10 workers don't even know if employers offer retirement plans", https://www.chicagotribune.com/business/ct-biz-coworkers-retirement-advice-401k-20190701-d3jnxj4zw5edbm3rzgbnlj27e4-story.html
4. Transamerica Center for Retirement Studies, What Is "Retirement"? Three Generations Prepare for Older Age, https://transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2019_sr_what_is_retirement_by_generation.pdf
5. Ibid.

Public Sector Employee Views on Finances and Employment Outlook Due to COVID-19

Fielded May 4-20, 2020

CENTER FOR STATE & LOCAL GOVERNMENT EXCELLENCE

ICMARC
BUILDING PUBLIC SECTOR RETIREMENT SECURITY

Public Sector Outlook Survey

1,008 respondents

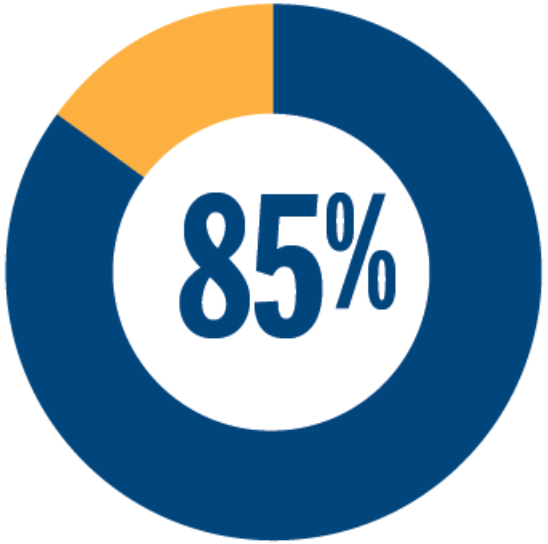
Gender	%
Male	36
Female	63

Age	%
Under 40	38
40-59	48
60 or older	14

Number of Years Working with Current Employer	%
Less than 1 year	7
1 to 5 years	32
6 to 10 years	16
11 to 15 years	15
16 to 20 years	12
21+ years	17

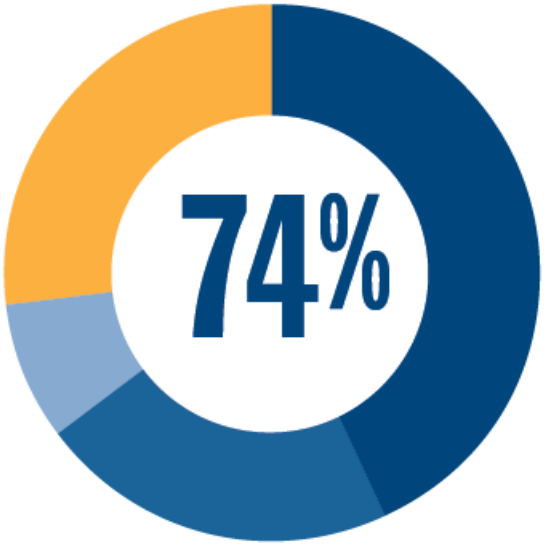
Industry	%
Administration and Finance	4
Education	53
Health & Human Services	13
Public Safety	16
Parks & Recreation	1
Public Works/Utilities	5
Transportation	5
All Other	3

Job Impact



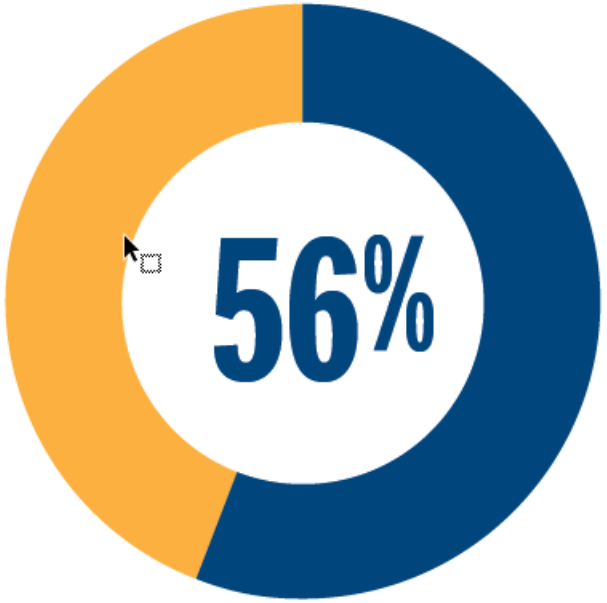
85% report that the pandemic has **impacted the nature of their job** (e.g., what they do, where they work, how they go about the tasks required).

74% report at least some remote work currently.



Public Sector Employee Views on Finances and Employment Outlook Due to COVID-19, June 2020

Financial Impact



report that they and their family have been **negatively impacted financially** by the COVID-19 pandemic.

OVER THE COURSE OF THE NEXT YEAR...

26% expect they will **reduce the amount they are saving for retirement** currently.

59% expect they will **spend less than normal** (on either essential or non-essential expenses) in comparison to what it would have been had the pandemic not occurred.

Public Sector Employee Views on Finances and Employment Outlook Due to COVID-19, June 2020

Financial Security

64% are concerned that the pandemic and the related economic crisis will impact being able to save enough to be financially secure throughout retirement.

53% agree that they have been able to get the help, information, and resources they need to make smart financial decisions during the pandemic and related economic crisis.

Gender Variances

Findings identified as differences between respondents

- Women more likely than men to say that debt is a problem for them (61% vs. 48%), but no difference in expectations of taking on more debt than already have in the next year.
- Men more likely to have had an emergency fund set up (76% vs. 64%) and fully funded (37% vs. 25%) prior to pandemic.
- Women more likely to be concerned about keeping family safe from contracting COVID (58% vs. 48% very or extremely concerned), staying protected from contracting COVID at work (54% vs. 43%), and having pay reduced (29% vs. 22%).
- Men more confident in making financial decisions on own in general (mean 3.9 vs. 3.77) and during the pandemic and related economic crisis (mean 3.75 vs. 3.56).

Employees still need help deciding…

Save?

Invest?

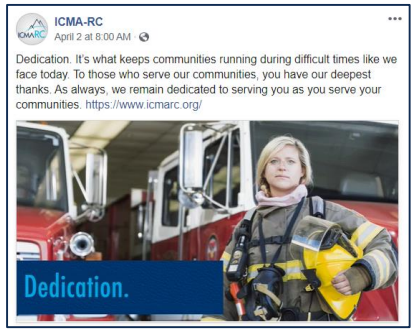
Retire when?

How to withdraw?

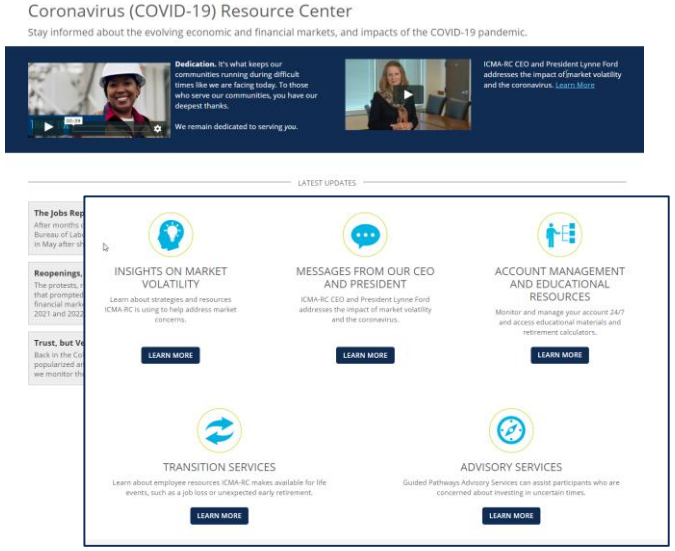
COVID-19 Engagement – Pivoted in March

- **2,300 webinars held with 18,000 participants** on topics ranging from “Investing in Volatile Markets” to “Understanding the CARES ACT”
- **Delivered 2.4M emails during 8-week period** from March 9 – April 30, 2020 - Averaged 40% open rate and 0.04% unsubscribe rate
- **35 organic social media posts** with COVID-19 related content
  - Generated 854.2K impressions (# of times the posts were seen, including the same viewer seeing the same post multiple times)
- **Created two COVID-19 microsites** to serve as one-stop resources for COVID-19 content and services www.icmarc.org/participantresourcecenter

Social Posts



Resource Centers



Key Takeaways

- Tale of three public servants
  - Remote
  - Front Lines
  - Furloughed
- Virtual first for everyone
- Additional hurdle for retirement savings
- Providing education and raising awareness is more important than ever before