An Analysis of Retirement Models to Improve Portability and Coverage

SUMMARY

In 2016, the Chief Evaluation Office (CEO) partnered with the Employee Benefits Security Administration (EBSA) and funded Summit Consulting and the Center for Retirement Research at Boston College to conduct *An Analysis of Retirement Models to Improve Portability and Coverage.* The literature, policy, and proposal review aims to summarize what is known about the current employer-based voluntary retirement system in the United States and explore a wide set of available options. This three-part analysis focuses on the 401(k) system, the coverage gap in employer-based voluntary retirement plans, and the challenges, identified through the literature review, that nontraditional workers—those who do not have access to an employer-sponsored retirement plan—face. Researchers reviewed the existing U.S. approaches to retirement and, as points of comparison, examine approaches used in the United Kingdom, Australia, Denmark, the Netherlands, and Belgium.

This Department of Labor-funded study contributes to the labor evidence-base to inform employee benefits programs and policies and addresses Departmental strategic goals and priorities.

KEY TAKEAWAYS

- Multiple procedural barriers impede 401(k) portability, such as the absence of requirements for plans to accept incoming rollovers when individuals change jobs. Lack of portability often results in workers holding multiple small accounts, which are harder to track and can be lost, potentially undermining workers' ability to adequately save for retirement. This report recommends enhancing portability by minimizing procedural barriers to moving money between employer plans.
- About half of private-sector workers are not covered by employer-sponsored retirement plans; this percentage has not improved since the late 1970s. Two main factors may cause this: first, many employers—particularly small employers—do not offer retirement plans; second, workers who do have access to plans do not participate due to inertia or ineligibility. Some solutions to increase coverage include auto-enrollment of employees who are not covered; increasing the availability of retirement plans suitable for small businesses; requiring employer contributions to employee plans; and shifting responsibility of providing retiree benefits from the employer to a third-party platform.
- The growing number of nontraditional workers are left out of the employer-provided retirement system, and coverage solutions are beginning to emerge. Creating an auto-enrollment process or introducing an individual coverage mandate could increase coverage for this group.

SEE FULL STUDY

An Analysis of Retirement Models to Improve Portability and Coverage

TIMEFRAME: 2016-2018

SUBMITTED BY: Summit Consulting, Center for Retirement Research at Boston College

DATE PREPARED: February 2022

PARTNER AGENCY: Employee Benefits Security Administration (EBSA)

SPONSOR: Chief Evaluation Office

CEO CONTACT: Yancey.Christina.L@dol.gov

The Department of Labor's (DOL) Chief Evaluation Office (CEO) sponsors independent evaluations and research, primarily conducted by external, third-party contractors in accordance with the Department of Labor Evaluation Policy. CEO's research development process includes extensive technical review at the design, data collection and analysis stage, including: external contractor review and OMB review and approval of data collection methods and instruments per the Paperwork Reduction Act (PRA), Institutional Review Board (IRB) review to ensure studies adhere to the highest ethical standards, review by academic peers (e.g., Technical Working Groups), and inputs from relevant DOL agency and program officials and CEO technical staff. Final reports undergo an additional independent expert technical review and a review for Section 508 compliance prior to publication. The resulting reports represent findings from this independent research and do not represent DOL positions or policies.