

Automatic Enrollment and Automatic IRAs

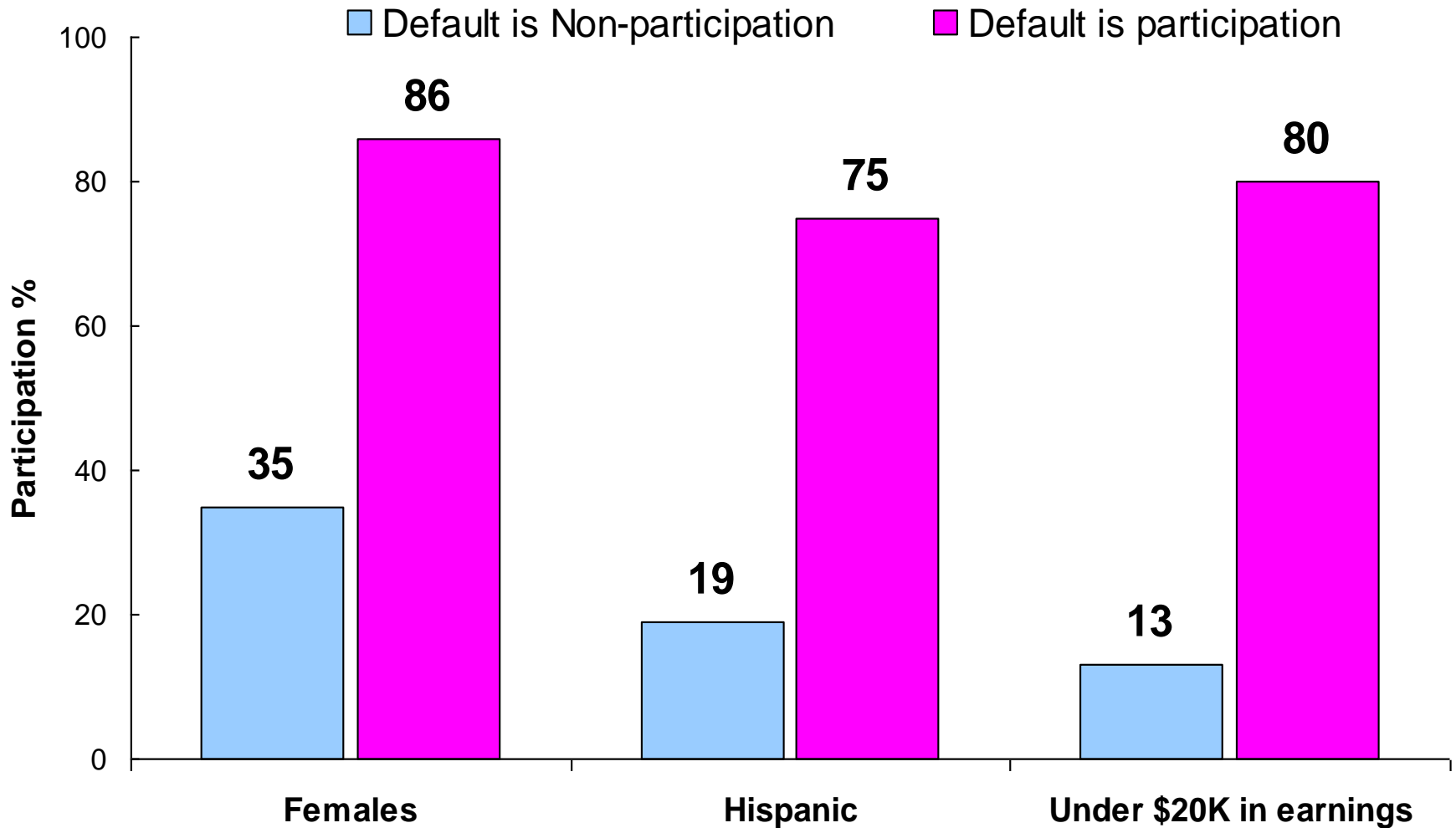
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Automatic Enrollment Works

- Legal since 1999. All legal questions resolved 2006.
- Most larger 401(k)s incorporate automatic features.
- Spreading to smaller plans.

Impact of 401(k) Auto Enrollment



Actual results from employees with between 3 and 15 months of tenure. Study by Brigitte Madrian, University of Pennsylvania's Wharton School, and Dennis Shea, UnitedHealth Group.

What Americans Think Of Automatic Enrollment - 2007

“You are glad your company offers automatic enrollment” (Agree)

- Auto enrolled: 98%
- Opted Out: 79%

“Allowed you to start retirement saving earlier than planned” (Agree)

- Auto enrolled: 85%

What Americans Think Of Automatic Enrollment and Automatic Escalation - 2008

Automatic enrollment

(Positive)

- Auto enrolled: 92%
- Overall: 77%

Automatic escalation

(Positive)

- In auto escalation: 91%
- Overall: 65%

American Workers on Automatic Features in 2009

- 74% Favor Automatic Enrollment
- 65% Favor Automatic Escalation
- 85%-90% Favor Auto Asset Allocation
- 64%-71% Favor Auto Income Guarantee
- Includes all workers – not just those automatically enrolled.
- Source: Prudential January 2010 Study

Why the Automatic IRA?

- About 50% of US Employees now have access to a 401(k) or pension plan.
- With Auto IRA, this rises to 90%.
- Combines IRA + automatic enrollment

Very Simple Structure

- Three Accounts ONLY
 - Starter Account – R-Bond or stable value
 - Target Date Account as a default
 - Either more aggressive target date fund or a balanced fund
- Covers all employers with more than 10 employees *and* no other plan. Phases in starting with 100+ employees.

Employer Responsibilities

- Choose private sector provider.
- Send money regularly.

Small Accounts under Auto IRA

- R-Bond – A US Treasury account available to new savers. Pays 5-10 year T-Bond rate.
- At \$5,000, R-Bond rolls automatically to private sector provider.
- Or provider can use a stable value fund.

Virtual TSP

- Central web page lists all interested providers.
- Employer chooses from list. Can set up relationship online.
- Default providers accept all comers.

Fees

- Set by private sector but monitored by regulators.
- Clear disclosure using color coded thermometer-type graphic.

Employees on the Automatic IRA

(Agree)

- Useful way to save: 86%
- Easy to understand: 84%
- Affordable: 83%
- Make employer attractive: 77%