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Retirement Security in Oregon

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Northwest Economic Research Center
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NeRC

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NERC is based at Portland State University in the College of Urban and Public Affairs. The Center focuses on economic research that supports public-policy decision-making, and relates to issues important to Oregon and the Portland Metropolitan Area. NERC serves the public, nonprofit, and private sector community with high quality, unbiased, and credible economic analysis. Dr. Tom Potiowsky is the Director of NERC, and also serves as the Chair of the Department of Economics at Portland State University. Dr. Jenny H. Liu is NERC's Assistant Director and Assistant Professor in the Toulan School of Urban Studies and Planning. The report was researched and written by Jeff Renfro, NERC Senior Economist. Research support was provided by Marisol Cáceres and Peter Husleman, NERC Research Assistants.

Our Oregon is a 501(c)(4) organization dedicated to fighting for economic and social fairness for all Oregonians. Their coalition represents organizations and individuals who care about a range of issues, from preserving funding for schools and critical services, to protecting the environment. This report was completed with assistance and input from Daniel Morris, Our Oregon Research Director, and Jessica Eden, Research Assistant.

Portland State UNIVERSITY


Photo credit: Zach Dischner

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I. EXECUTIVE SUMMARY

The retirement savings gap in the US is widely recognized as a significant and growing concern to both individuals and the overall economy. About half of workers in the US have no retirement savings at all, and access to employer-sponsored pension plans has markedly declined over recent decades. This situation has led to decreased living standards and increased reliance on social security income among retirees. The picture is bleaker for particularly at-risk groups – including those with lower earnings and people of color– who have both lower access to at-work retirement plans and lower incomes in their retirement years.

The experience of Oregon's working and retired populations mirrors these national trends. Only 55 percent of the state's private-sector employees have access to a retirement plan at work, and only 45 percent actually participate in such a plan.

Table 1- At-work Retirement Plan Access, Take-up, and Participation in Oregon

All private sector workers	
Access to plan	55%
Take-up rate	82%
Workers with plan	45%
Full-time private sector workers	
Access to plan	59%
Take-up rate	85%
Workers with plan	50%
Part-time private sector workers	
Access to plan	38%
Take-up rate	67%
Workers with plan	25%

Retirees, on the other hand, are likely to have relatively little or no income from retirement funds, an issue that is again more significant for low-income individuals. Nearly two-thirds of the state's retirees have zero income from retirement funds, and those in the bottom two income quartiles earn less than three and seven percent, respectively, from this source. This contrasts sharply with retirees with the highest incomes, who derive nearly 40 percent from retirement funds.

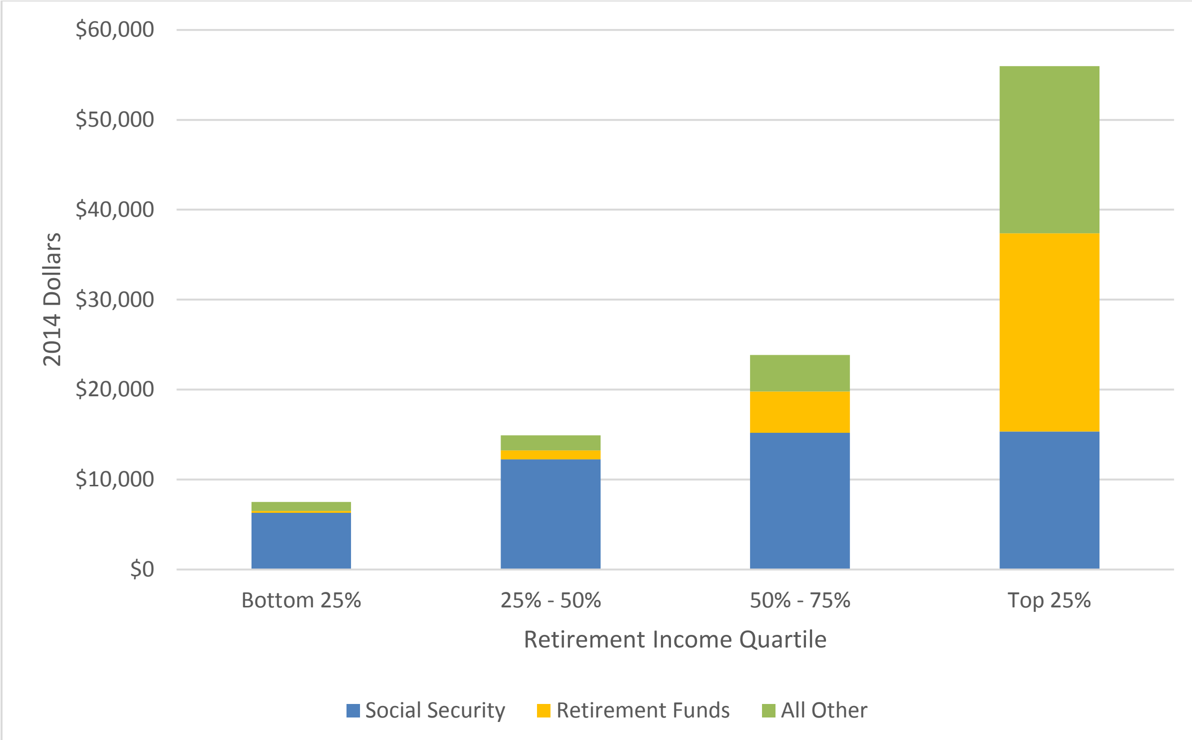

Figure 1- Sources of Income for Oregon Retirees

Citing limited access to retirement plans through work as a key driver of these trends, the Oregon Retirement Savings Task Force has recommended that the state offer a payroll-deduction retirement plan for all private sector workers whose employers do not offer them one. The analysis in this report estimates that over 400,000 of the state's workers could be expected to participate in such a plan. If those new plan enrollees earn returns that are comparable to those received by current retirees, their combined income from these plans would exceed $2 billion dollars per year.

Table 2- Estimated Program Impacts

Quartile of Income	Average income from Retirement Funds (annual)	Additional Participants		Age-Adjusted Additional Retirement Fund Income (Millions $2014)
		Thousands	% Change	
Bottom 25%	$3,761	107	410%	$228
25%-50%	$5,037	123	115%	$339
50%-75%	$9,076	94	56%	$429
Top 25%	$29,785	80	34%	$1,100
				$2,096

II. BACKGROUND

According to the National Institute on Retirement Security (NIRS), by age 65, people should have between 7 and 11 times their current income in retirement savings in order to maintain their current standard of living.[1] The same report also states that 45% of Americans own no retirement accounts at all. The median account balance for account holders for people aged 25-64 is $40,000 and for people aged 55-64 the median account balance is $100,000. According to the Pew Charitable Trust, people born between 1946 and 1955 are the last generation that will have adequately prepared for retirement.[2]

People with adequate retirement savings can look forward to higher incomes in retirement than those without. Social Security payments were never intended to fully cover retirement expenses, but the lowest income retirees rely almost exclusively on social security income. Conversely, retirees with the highest incomes get a large share of that income (41%) from personal retirement funds.[3]

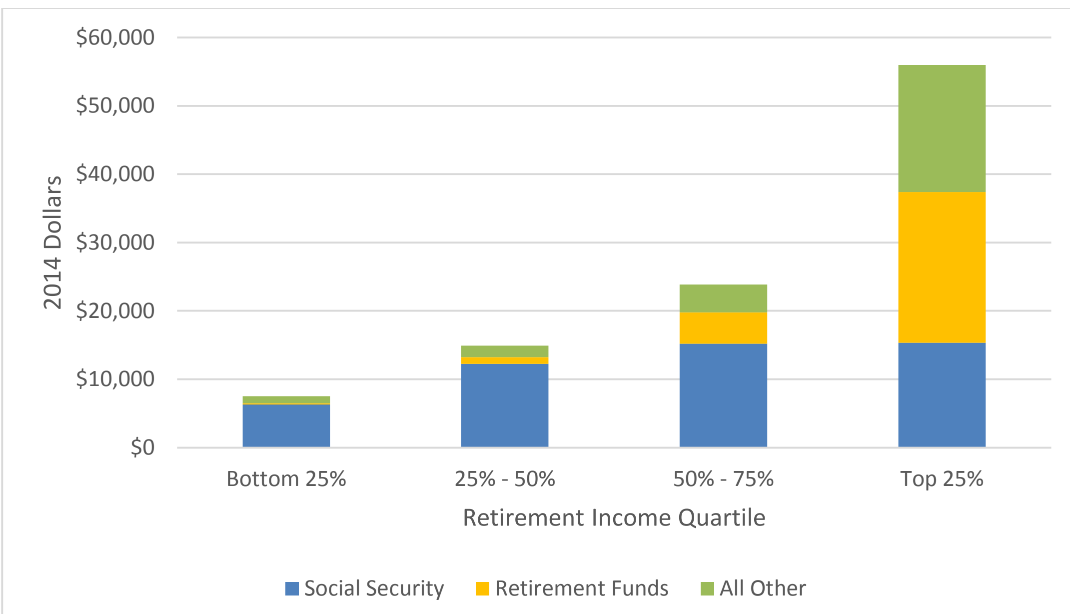

Figure 2 - Sources of Income for Oregon Retirees[4]

[1] Rhee, Nari. 2013. *The Retirement Savings Crisis: Is It Worse Than We Think?*. National Institute on Retirement Security. June 2013.
[2] Pew Charitable Trusts. 2014. "Preparing for Retirement: Top Findings from a Survey of Public Workers on Retirement Benefits." June 2014.
[3] Gould, Elise; Hall, Douglas. 2012. *Oregon Retirement Security: How Are Retirement Needs Being Met Now and In the Future?*. Economic Policy Institute. EPI Briefing Paper #334. January 2012.
[4] Average of 2000 - 2014 ($2013); Current Population Survey (CPS) Annual Social and Economic Supplement data

There are many reasons why people don't save for retirement. Lower income households struggle more with day to day concerns such as difficulty covering expenses, unemployment and heavy debt burden, and are less likely to prioritize retirement savings.[5] Financial literacy is also a factor; people who are savvier about investing are more likely to be saving for retirement and to take advantage of employer-sponsored plans when they are offered.

One of the main ways people save for retirement is through automatic payroll deduction plans offered by employers.[6,7] Making retirement savings easy and automatic promotes participation, especially among people who are not as financially literate.[8,9] Retirement savings plans at work also help people protect their savings. If people need assistance from safety net programs, they may be forced to spend down their savings before receiving benefits. However, most programs will not count retirement accounts against applicants.[10]

According to the Oregon Employment Department, in 2012, only 43% of firms offered retirement benefits to employees.[11] Defined contribution plans were the most common retirement benefit offered. Firms were twice as likely (27% vs 13%) to offer a retirement savings plans to management and full-time employees than part-time workers. This report finds that access to these plans varies significantly by industry, race/ethnicity, and income level.

In order to promote retirement savings in Oregon, the Oregon Retirement Savings Task Force has recommended a state-sponsored payroll-deduction retirement savings plan be made available to workers who are not otherwise offered one by their employers. The purpose of this report is to estimate how many workers would take advantage of a state-sponsored plan, the benefit savers would see in retirement, and the aggregate change in income from retirement funds in Oregon.

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[5] Rhee. 2013.

[6] Howlett, Elizabeth; Kees, Jeremy; Kemp, Elyria. 2008. "The Role of Self-Regulation, Future Orientation, and Financial Knowledge in Long-Term Financial Decisions." *The Journal of Consumer Affairs*. Vol. 42, Issue 2. Pg. 223-242.

[7] Neuberger, Zoë; Greenstein, Robert; Orszag, Peter. 2006. "Barriers to Saving". Communities and Banking. Federal Reserve Bank of Boston.

[8] Howlett, et al. 2008.

[9] Agnew, Julie R.; Szykman, Lisa; Utkus, Stephen P.; Young, Jean A. 2007. "Do Financial Literacy and Mistrust Affect 401(K) Participation?" Center for Retirement Research at Boston College. Number 7-17. November 2007.

[10] Shriver Center on Poverty Law. http://www.povertylaw.org/communication/webinars/asset-limits. Last Accessed: March 5, 2015.

[11] Krumenauer, Gail Kiles. 2013. *Oregon Employer-Provided Benefits and the Impacts of Rising Costs*. Oregon Employment Department Workforce and Economic Research Division. February 2013.

III. METHODOLOGY

To analyze the retirement security of current workers and the sources of income of retirees in Oregon, we used the Current Population Survey (CPS) which is produced by a partnership between the U.S. Census Bureau and the Bureau of Labor Statistics (BLS). Specifically, we used data reported in the *Annual Social and Economic Supplement*. The CPS is a long-running survey which produces statistics on issues related to the workforce, including one of the most widely-used estimates of the national unemployment rate. Working with the data produced by the CPS can be labor-intensive, but is made significantly easier by the data-extraction interface created by the Integrated Public Use Microdata Series (IPUMS) team at the Minnesota Population Center.[12]

The survey sample size is large enough to draw conclusions at a national level, but sub-national analysis requires averaging results across multiple years. For our analysis, we averaged Oregon results across the period from 2000-2014. We converted all dollar amounts to 2014 dollars, which means that we lose some inter-year variation. When we look at individual years, the percentages of workers with access to retirement plans and of workers participating in these plans is relatively stable. On the retirement income side, there is inter-year variation driven by reductions in returns on investment accounts during the 2008 recession and recovery. For these data, averaging multiple years reduces the year-to-year volatility caused by smaller sample sizes.

For the analysis of retirement account access and participation for current workers, we considered only survey respondents who were employed in the survey period and had positive wages. Survey respondents are asked if retirement plans were offered to anyone at their place of work and if they participate. We used additional respondent information on income, industry, and race to produce the statistics reported in the Analysis section (pg. 11).

Our sample of retirees is made up of respondents aged 60 and over, who classify themselves as not in the labor force, and who report no wages during the survey period. In the CPS results, we found respondents who reported that they were retired or not in the labor pool, but still reported substantial wage income or reported an industry they were working in. In these cases, we dropped the observations.[13] Survey respondents report the sources of their income

[12] Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. *Integrated Public Use Microdata Series: Version 5.0* [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

[13] The dropped observations totaled 451,373 for the 2000-2014 period, or roughly 6% of respondents otherwise matching the definition of retirees used in this report.

which allowed us to disaggregate reported income by source. The results of this analysis are in Analysis section (pg. 11).

In the analysis, "access to plan" refers to those working for an employer that offers a retirement plan to at least some of its employees (including plans with no employer contribution). Employees who work for a firm that offers retirement plans, but are not personally eligible for participation are still counted as having "access". As a result, we may be overestimating the rate of access in the state, and therefore underestimating the number of workers who may begin saving with a new state-sponsored plan. "Take-up rate" refers to the percentage of workers with retirement plan access who participate in the plan.[14] "Workers with plan" then refers to the total share of workers (with and without access) participating in a retirement plan at their place of work.

In order to estimate the additional number of program participants and the corresponding increase in retirement income, it was assumed that the income quartile-specific take-up rates found in our analysis would apply to all workers with new access to a state-run plan - that is, that workers who do not currently have access to a retirement savings plan will participate at the same rates as workers who currently have access to a plan in the same income quartile. To calculate the number of additional participants, we assumed that access for each income quartile is increased to 100%, and derived the number of new participants from each quartile's current take-up rate. To estimate the number of workers currently without access, we averaged CPS data from 2012-2014.

To develop an estimate of the potential increase in retirement income, we calculated the average retirement income from retirement funds for each income quartile[15] over the entire sample period.

[14] Mathematically, the number of workers participating in a plan at work divided by the number of workers with access at work)
[15] For survey respondents with positive income from retirement funds

IV. RESULTS

Current Workers

Our analysis confirms that disparities in access to, and participation in, at-work retirement plans contribute to income disparities in retirement. The economic and demographic characteristics that set Oregon's workers apart also differentiate its retirees. Groups that are economically disadvantaged during their working lives continue to be disadvantaged in retirement. For example, high-wage workers are more likely to have access to a retirement plan at work, and to participate when offered a plan. Therefore, they will tend to end up with more retirement savings. Retirees in the highest income quartile derive a significant amount of their income from these retirement funds, and retirees in the lowest income quartile get very little.

The first set of tables below provides a brief profile of Oregon's workforce. The next set of tables summarizes workers' access to, and participation in, workplace retirement programs. Finally, an examination of the broad range of conditions among Oregon's retired populations establishes a clear relationship between employees and their retired counterparts.

Figure 3 provides some context for the following discussion of Oregon's working population. As in the overall US labor force, men slightly outnumber women among the state's workers. In contrast, racial/ethnic composition of Oregon's labor force is distinct from many areas of the country. Oregon's black population is among the lowest among US states, despite higher representation in neighboring California and Washington.[16] At the state level, Oregon's Hispanic workforce is comparable to other Northwest states, although specific regions within the state possess much higher concentrations of Hispanic or Latino workers, and this population is quickly growing.[17]

[16] 2010 Census State and County Quickfacts - http://quickfacts.census.gov/qfd/states/53000.html
[17] SAIF corporation - http://saif.com/worker/2929_3701.htm

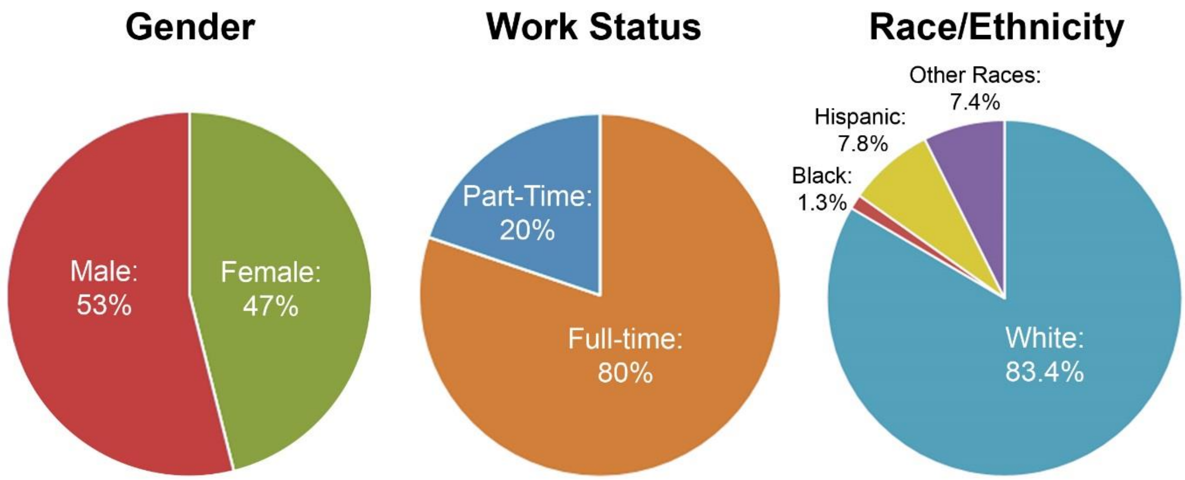

Figure 3 - Oregon Workforce Profile

Figure 4 and Table 2 illustrate more detailed characteristics of Oregon's workforce[18] relevant to retirement security. While more than half of white workers (and roughly half of black workers) have incomes in the top half of the Oregon labor force, Hispanic workers' incomes fall disproportionately in the bottom half (Figure 4). Similarly, a marked income disparity exists between men and women in the state's workforce (Table 2); one third of males have incomes in the top 25% among all workers, while less than one fifth earn incomes in the bottom 25%. This pattern is reversed for female workers.

[18] Workers are defined here are aged 25-64, in the labor force, and working either part time or full time

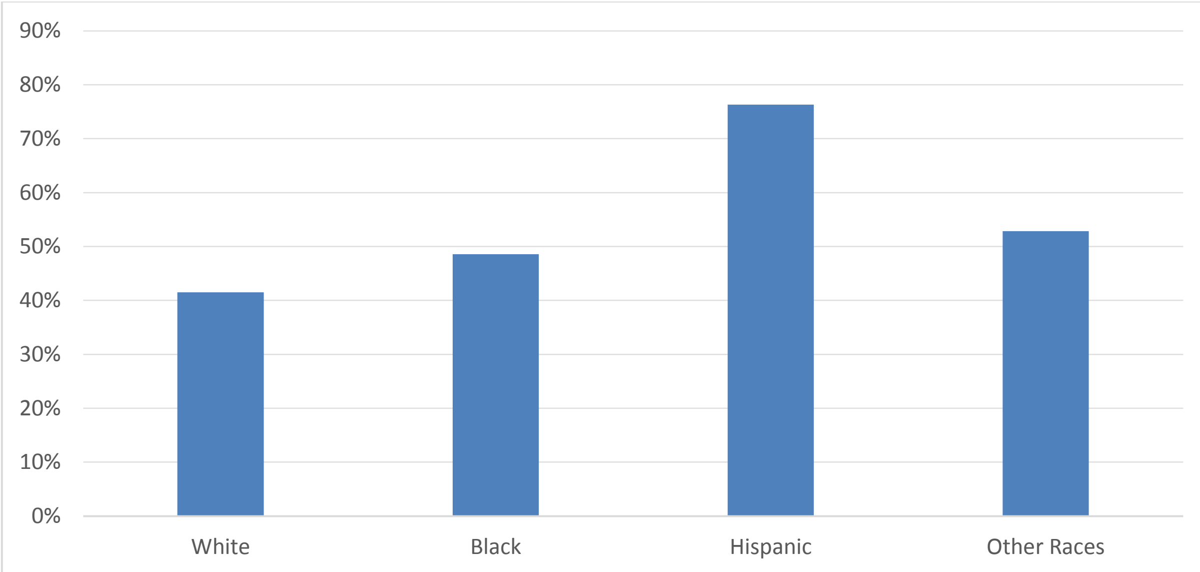

Figure 4 - Percent in lowest 50% of incomes, by Race/Ethnicity

Table 3 – Oregon Workers by Sex and Income

	Lowest 25% *$0 - $21,992*	**Middle 50%** *$21,992-$63,200*	**Highest 25%** *$63,200 and above*	**Total**
Female	32%	52%	16%	100%
Male	19%	48%	33%	100%

Overall, 60% of workers in Oregon have access to a retirement plan at work. The statewide take-up rate is 85% (including both private and public employees), which means 51% of workers are currently saving for retirement with the help of their employer.

Perhaps the most significant discrepancy in employer-sponsored retirement plan access exists between the private and public sectors (Table 3). Public employees make up approximately 17% of Oregon's workforce, and have near-universal access to employer-sponsored retirement plans as a result of collectively-bargained contracts. This is especially true of full-time public employees: nine out of ten have access at work, and a vast majority (85% of all full-time public workers) actually participate in such a plan. In contrast, workers in the private sector have much lower access to plans through work (59%), and half do not have a plan. Notably, full-time workers who are offered a plan at work, regardless of sector, overwhelmingly choose to participate (i.e., "take up" the option). Nearly all public sector employees with access participate, and 85% of their private sector counterparts with access participate.

Another pattern is evident in Table 3 across both sectors; part-time employees have less access, lower take-up, and lower overall participation in employer-sponsored retirement plans than full-time employees. In the private sector, the difference is pronounced: less than half have access to a plan, and only one in four private part-time workers has a plan. Coverage is nearly double for public sector part-time employees, but more than half still have no plan through work.

Table 4 - Retirement Plan Access, Take-up, and Participation by Sector[19]

	Public Sector	Private Sector
Share of total workforce	**15%**	**85%**
Full-time workers		
Access to plan	90%	59%
Take-up rate	95%	85%
Workers with plan	85%	50%
Part-time workers		
Access to plan	73%	38%
Take-up rate	63%	67%
Workers with plan	46%	25%

Table 5 - Private Sector Retirement Plan Access, Take-up, and Participation by Income

	Bottom 25% *$0 – $21,192*	**2nd 25%** *$21,192-$38,422*	**3rd 25%** *$38,422-$63,200*	**Top 25%** *$63,200 and above*
Full-time workers				
Access to plan	25%	49%	67%	76%
Take-up rate	53%	74%	88%	94%
Workers with plan	13%	36%	59%	71%
Part-time workers				
Access to plan	24%	47%	55%	54%
Take-up rate	42%	70%	86%	91%
Workers with plan	10%	33%	47%	49%

The data suggest that low-income workers have less access to retirement plans, and also are less likely to participate even when they have access. The lower access and lower take-up rate combine to create participation disparities by income. 76% of full-time workers in the top income quartile have access to a workplace retirement plan, compared to only 25% from the lowest income quartile. The take-up rate for the highest earning workers is 94% – significantly higher than the 53% of workers in the lowest income quintile. Only 13% of low-income full-

[19] Workers aged 25-64

time workers are participating in retirement savings plans, compared to 71% of workers in the highest income quartile. Low-income workers are less likely to participate in retirement plans, in part, because withholding a portion of wages is more difficult for these workers. The lower access and lower take-up rate combine to create participation disparities by income.

Across income quartiles, part-time workers have less access and lower participation than full-time workers. 54% of higher-income part-time workers have access to a retirement plan, compared to only 24% of part-time workers in the lowest income quartile. It is important to note that the take-up rate for each quartile is similar among both full- and part-time workers. Therefore, increasing access to retirement plans should increase the overall participation rate, but may have no effect on the take-up rate.

Table 6 - Private Sector Retirement Plan Access, Take-up, and Participation by Race/Ethnicity[20]

	White Non-Hispanic	Black Non-Hispanic	Hispanic	Other Non-Hispanic
Access to plan	58%	54%	33%	52%
Take-up	84%	83%	71%	82%
Workers with plan	48%	45%	23%	43%

When private sector retirement plan access, take up, and coverage are broken out by race and ethnicity (Table 5), we do not find the large discrepancies between white and black workers found in similar studies from other states.[21] There is a 4% gap between white and black plan access, but this is much smaller than the gap observed nationally. We are confident in the result, but do not have a compelling explanation for why the disparity between black and white workers is smaller in Oregon. Hispanic workers are notable for their low level of access, take-up, and overall plan participation. In Oregon, Hispanic workers are more likely to be employed in industries which do not offer retirement plans, but that would not explain the lower rate of plan take-up.

Our data show similar access and take-up rates for men and women in the workforce. This is generally true across sectors and across full-time and part-time workers.

[20] Workers in the private sector aged 25-64; both full and part time workers included
[21] Rhee, Nari. 2013. “Race and Retirement Security in the United States. National Institute on Retirement Security. December 2013.

Table 7 - Private Sector Retirement Plan Access, Take-up, and Participation by Firm Size (number of employees)[22]

	Under 11	11 to 49	50 to 99	100 to 499	500 to 999	1000+
Share of total private workforce	**28%**	**17%**	**6%**	**12%**	**5%**	**32%**
Access to plan	16%	39%	56%	63%	78%	75%
Take-up rate	68%	76%	70%	77%	87%	83%
Workers with plans	11%	30%	39%	49%	68%	63%

There is significant variation in access and plan participation based on firm size. Employees of larger firms are more likely to have access to plans, and more likely to participate in available plans. This may reflect the initial costs of offering a plan. Larger firms most likely have human resources department dedicated, in part, to managing employee retirement plans and disseminating plan information. Smaller firms may lack the staff time and expertise to offer retirement plans to employees. The end result of differences between access based on firm size is a large disparity between workers with plans based on firm size: 63-68% of employees at firms with 500 employees or more are participating in retirement plans while only 11% of employees at firms with 10 or fewer employees participate in a plan.

Retiree Income Sources

The economic and demographic makeup of Oregon's retired population reflects several overall trends in this state and nationwide. Table 7 summarizes the share of Oregon retirees by race and income quartile. White retirees' incomes are distributed proportionately to those of the entire retired population: 25 percent of non-Hispanic white retirees' have incomes in the bottom 25 percent, 25 percent have incomes in the top 25 percent, and so on. In contrast, the distributions for other races and ethnicities is skewed toward the lower end of the distribution. Forty-four percent of Hispanic retirees have incomes falling in the bottom income quartile, with only 13 percent in the top quartile.

[22] Firm size ranges vary by reporting year. Those reported here average 2012-2014 only

Table 8 - Oregon Retirees by Race/Ethnicity and Income

	Lowest 25% *\$0 – \$11,700*	**Middle 50%** *\$11,700 - \$31,622*	**Highest 25%** *\$31,622 and above*	**Total**
White Non-Hispanic	25%	50%	25%	100%
Black Non-Hispanic	37%	44%	18%	100%
Hispanic	44%	43%	13%	100%
All Other Non-Hispanic	38%	46%	15%	100%

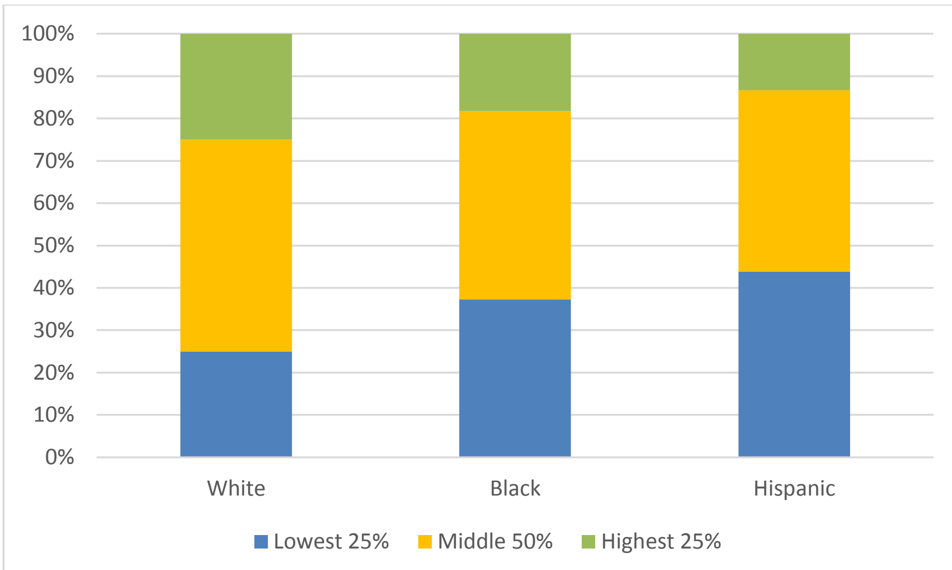

Figure 5 - Retirement Income, by Race/Ethnicity

Women, likewise, are more likely than men to have retirement incomes that put them in the lowest quartile (Table 8). While the shares with incomes in the middle range are similar for both genders, the shares in the top and bottom quartiles are reversed between genders, with women earning less than men in retirement.

Table 9 - Oregon Retirees by Sex and Income

	Lowest 25% *\$0 – \$11,700*	**Middle 50%** *\$11,700 - \$31,622*	**Highest 25%** *\$31,622 and above*	**Total**
Female	36%	49%	16%	100%
Male	11%	52%	37%	100%

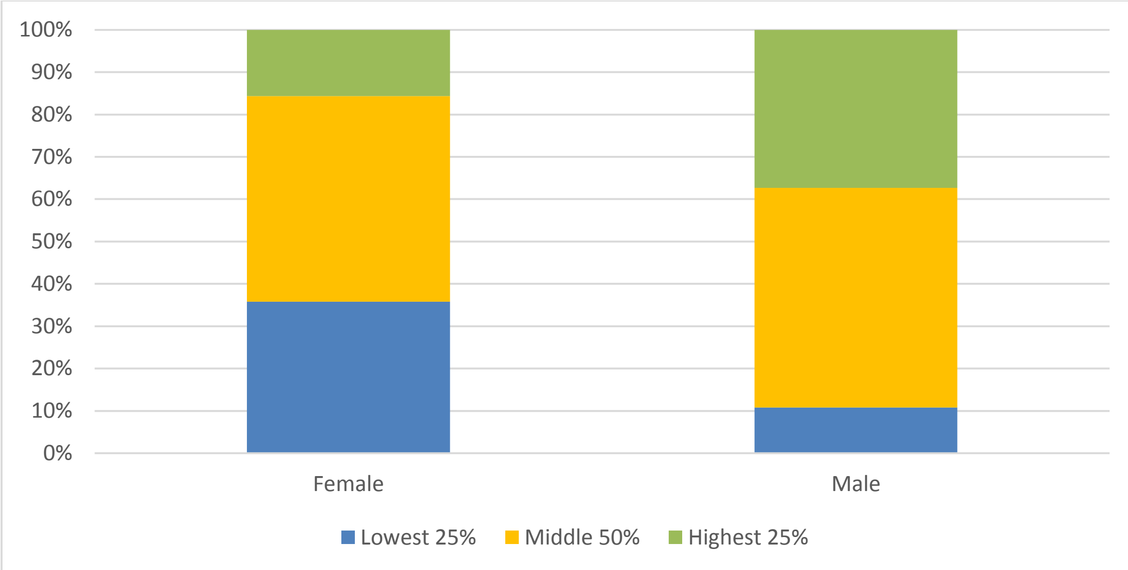

Figure 6- Oregon Retirees by Sex and Income

Table 9 shows the average retirement income by source. Retirees in the highest-income quartile average $22,039 annually from retirement funds, compared to only $205 for the lowest-income quartile. This discrepancy in retirement fund income drives the overall retiree income gap with the high-income quartile receiving almost $56,000 in annual income, while the lowest-income quartile receives about $7,500.

Retirees' income from individual sources varies according to their overall economic status. Tables 9 and 10 below show that low-income retirees rely on Social Security for a significant portion of their overall income. We note that retirees in the two upper income quartiles receive essentially the same amount of income from Social Security. The difference in total income results from the top income quartile retirees receiving more income from other sources. Income from retirement funds represents the largest share of income among the highest-income retirees (39 percent) and a small share of the lower-income quartiles.

Table 10 - Sources of Retirees' Income (Average $2014), by Income Quartile

	All Retirees	**Lowest 25%**	**25-50%**	**50-75%**	**Highest 25%**
Social Security	***$12,472***	$6,405	$12,452	$15,450	$15,584
Retirement Funds	***$7,070***	$208	$991	$4,673	$22,394
Interest and Dividends	***$3,162***	$492	$974	$2,086	$9,092
Rental Income	***$1,058***	$20	$118	$546	$3,544
Supplemental Security	***$213***	$372	$182	$110	$189
All Other	***$2,004***	$145	$442	$1,368	$6,053
Total Personal Income	***$25,979***	**$7,643**	**$15,160**	**$24,233**	**$56,856**

Table 11 - Sources of Retirees' Income (Share of total), by Income Quartile

	All Retirees	**Lowest 25%**	**2nd 25%**	**3rd 25%**	**Highest 25%**
Social Security	***48%***	84%	82%	64%	27%
Retirement Funds	***27%***	3%	7%	19%	39%
Interest and Dividends	***12%***	6%	6%	9%	16%
Rental Income	***4%***	<1%	1%	2%	6%
Supplemental Security	***1%***	5%	1%	<1%	<1%
All Other	***8%***	2%	3%	6%	11%

V. POTENTIAL PROGRAM DEMAND AND ECONOMIC BENEFITS

A state-sponsored retirement savings program like the framework suggested by the Oregon Retirement Savings Task Force would expand access to all Oregonians in the workforce. This increase in access should lead to additional participation in retirement savings programs.

Based on current access and take-up rates, we estimate approximately 404,000 workers would participate in a state-sponsored retirement savings plan. Workers who start saving using a state-sponsored retirement savings plan can expect to receive thousands of dollars in income from those savings each year after they retire.

Table 12 – Estimated Program Impacts

Quartile of Income	Average income from Retirement Funds (annual)	Additional Participants		Age-Adjusted Additional Retirement Fund Income (Millions $2014)
		Thousands	**% Change**	
Bottom 25%	$3,762	107	410%	$228
25%-50%	$5,037	123	115%	$339
50%-75%	$9,076	94	56%	$429
Top 25%	$29,785	80	34%	$1,100
Total		**404**		***$2,096***

As Table 11 shows, we expect a large expected increase in participation for the lowest income quartile, with the average retiree in that quartile receiving an additional $3,762 in annual retirement income. While this is much lower than the $29,785 of additional income from retirement funds for the average new high-income participant, it represents a 49% increase in annual retirement income.

If each of the expected new participants in a retirement savings plan received the average retirement income of their income quartile when they retired, the additional income would total more than $4 billion per year. Of course, adults of all ages work in Oregon, and older workers who begin saving have less time to accumulate funds before retirement. Prorating the average retirement income for the age distribution of Oregon's existing retirement plan participants, the total retirement income estimate reaches about $2 billion per year. This estimate covers only current workers who will be newly offered a plan, not future workers who will take advantage of the plan when they enter the workforce.

The estimates do not take into account the decrease in current spending associated with saving for retirement. This would decrease current consumption by workers, but by increasing certainty and decreasing volatility in retirement income sources, a state-sponsored retirement savings program could increase current consumption among retirees, which would have positive impacts on the broader economy.

VI. FURTHER RESEARCH

We believe this study provides reasonable, conservative estimates of the impact of a state-sponsored retirement savings plan. However, there are several limitations to our analysis that could be could be addressed with more research.

One limitation of the study is our reliance on historical take-up rates. In order to estimate future economic benefits, we assumed that the group of Oregonians who receive retirement fund access from the public program will choose to participate at the same rate as people who currently have program access through their workplace. The Oregon Retirement Savings Task Force recommends implementing an opt-out model, which would automatically enroll all eligible Oregonians unless they take steps to not participate. Studies suggest[23] that participation rates are higher in opt-out programs. We do not know what share of existing plans are opt-in versus opt-out, but expect that any opt-in plans have lower overall average participation rates. As a result, our estimated increase in participation is probably conservative.

Additionally, we may be underestimating the number of new participants because of the definition of "access" in the CPS. As we mentioned earlier in the report, workers are treated as having access to a retirement plan if anyone at their workplace has access to a plan. This is the convention used in other studies.[24] If there is a worker at a firm that offers retirement plans, but they are not personally eligible for the plan, they will not participate and lower the overall take-up rate. If the take-up rates that we calculated for the current workforce are low, that lowers our estimate of future participation under a state-run retirement savings program.

For simplicity we focused on the average income from retirement funds to estimate the annual benefit to workers in retirement. Though a more in-depth study could describe economic benefits in more detail, we feel our findings are sufficient to conclude that a state-run retirement savings plan would substantially increase retirement fund income for many thousands of Oregonians.

A full account of the economic benefit of a state-sponsored program should account for reductions in current spending as a result of retirement savings. To calculate the total lifetime benefit of program participation, future studies could estimate the annual retirement savings contribution by quartile. This would be compared to discounted estimates of benefits of additional income over the total period of retirement. This analysis would also require a cohort

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[23] This concept is well founded in Economics literature, but is comprehensively and famously covered in: Thaler, Richard H.; Sunstein, Cass R. 2009. *Nudge*. Penguin Books. February, 2009.
[24] Gould, et al. 2012. "Oregon Retirement Security."

model which would break out the study population into groups of participation who are a similar number of years from retirement, and would need to make assumptions about the length of the period of retirement. When total retirement benefits are calculated, the change in income will have economic impacts beyond the initial change in spending. A net income change calculation could be used as an input in an input-output model to calculate the full economic benefit of the income change.

VII. CONCLUSION

By expanding access to retirement savings plans, a state-sponsored program for workers should increase the overall level of participation, and, ultimately, increase retirement fund income. The over 400,000 new enrollees estimated by this study suggests that these programs can have large impacts.

The change in retirement fund income would be most dramatic for lower-income retirees, relative to current levels. Higher income among retirees would lead to higher consumption spending, and individuals would be less reliant on public resources, both of which have implications for the entire state. By making retirement saving easier, and creating opportunities for more stable retirement income, a state-run program could eliminate some of the uncertainty around income sources and incentivize more consumption.

This study found clear disparities in opportunities for retirement savings between people of different income levels, sex, races and ethnicities, in Oregon. A state-sponsored retirement savings plan would eliminate disparities in access, and thereby reduce disparities in saving opportunities.

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