RETIREMENT MANAGEMENT JOURNAL

A reprinted article from Volume 10, Number 1, 2021

THE VISIONARIES SERIES

Lori Lucas, CFA®: The Economic Importance of Employee Benefits for Americans' Financial Security

INVESTMENTS & WEALTH INSTITUTE®

Lori Lucas, CFA®

THE ECONOMIC IMPORTANCE OF EMPLOYEE BENEFITS FOR AMERICANS' FINANCIAL SECURITY

Lori Lucas, CFA®, is president and chief executive officer of the Employee Benefit Research Institute (EBRI). She is responsible for leading EBRI in its mission to provide unbiased, fact-based research and data on retirement, health care, and other benefits that provide financial security for American workers.

Lori Lucas, CFA®

Lucas is a former executive vice president and practice leader at Callan, where she led Callan's defined contribution business and developed research and insights into retirement trends for the benefit of clients and the industry. In other previous roles she has served as director of retirement research at Hewitt Associates, a vice president at Ibbotson Associates, a pension fund consultant at J.H. Ellwood & Associates, and an analyst and product development leader at Morningstar, Inc.

Lucas earned a BA from Indiana University and an MA from the University of Illinois. She is a past chair of the Defined Contribution Institutional Investment Association and has served as the vice chair and research chair of EBRI. She currently sits on the Investor Advisory Committee of the U.S. Securities and Exchange Commission (SEC). She is also on the Government Liaison Committee of the International Foundation of Employee Benefit Plans and the editorial advisory board of Benefits Quarterly. Lucas received Women Investment Professionals' 2018 Distinguished Woman Investment Professional Award, and she is a former columnist for Workforce Management. She has testified before the U.S. Senate Committee on Health, Education, Labor and Pensions Committee, the U.S. Department of Labor, the SEC, and the Employee Retirement Income Security Act (ERISA) Advisory Council.

In April 2021, Robert Powell, editor-in-chief of the Retirement Management Journal, *and Stacy Schaus, founder and chief executive officer of Schaus Group LLC, spoke with Lucas about the evidence-based ways that employers can most effectively support their employees with benefits that they need and value.*

Robert Powell: Lori, how did you get started researching retirement and employee benefits?

Lori Lucas: I got started in my 401(k) career at Ibbotson Associates. When the Department of Labor issued its comment on educating 401(k) plan participants, Ibbotson put together an entire program that I directed for financial planners to work with 401(k) plan participants. That eventually morphed into an advisory service. Working with behavioral finance experts at Ibbotson really started a passion for me with respect to how individuals invest and use their 401(k) plans.

I've come to believe in the importance of benefits for America's financial security and for a stronger economy. Having a motivated, engaged, and financially stable workforce is hugely linked to employers offering good benefits packages to their employees.

Stacy Schaus: How did your enthusiasm for this work lead you to the leadership of EBRI? What are your thoughts on being a leader, a chief executive officer?

Lori Lucas: Stacy, as you know, after I left Ibbotson, it was to work for you at Hewitt Associates, which was a lot of fun. I got this treasure trove of participant data. Then I began to work with the folks at Harvard, Andrew Metrick[1] and David Laibson,[2] James Choi,[3] and also ultimately Brigitte Madrian,[4] to mine the data for participant behavior and understand how to develop products to enhance people's retirement outcomes. Probably one of the most enjoyable experiences of my career was working in that environment and being able to do that research. I later moved on to build the defined contribution practice at Callan for 12 years. Although that was a wonderful experience in its own right, I didn't have access to that participant data anymore, which I really missed.

Then, the opportunity came at EBRI to lead an organization and get back into substantive research—not only on 401(k) plans but also broader benefits. I spent so much of my life working with 401(k) plans, it was exciting to work in financial wellness and health benefits and explore other areas that were equally important when it comes to people's financial security and overall well-being. The leadership role at EBRI was extremely attractive because it had always been a dream of mine to lead an organization. I have to say that it's a lot tougher than you think. My husband owns his own company and I never appreciated how difficult it was until I took a leadership role. It's challenging but very rewarding. I've learned a lot.

I think it's so important for women to set an example, to show that these roles are available to women and that women can succeed in them. The more women we have in leadership roles, the more younger women will see the opportunities and be able to feel like they can take that road as well. Not nearly enough women are in these leadership roles at this point.

Stacy Schaus: Lori, is there an advantage in some way to being female and dedicated to this type of research in the benefits field?

Lori Lucas: I definitely think that women approach leadership in different ways than men do. When I first landed the role at EBRI, a friend told me that one thing I brought to the table was my ability to listen. And I think that women do tend to listen a little bit more and take in information in different ways. It's good to have those different perspectives. There's a lot of benefit from diversity, not only at the top of the organization but throughout. In my role at EBRI, I've tried to listen a lot, not only to my board and executive committee but to anyone who cares to share advice with me.

Robert Powell: Can you talk a little bit about what EBRI does and what it focuses on? In an era of fake news and fact checking, does it still matter that EBRI offers non-partisan research, as opposed to people just picking up their own?

Lori Lucas: You've just really nailed the existential question about the role of research today. And I have thought about it a lot in the past three years since I joined EBRI. EBRI's approach to research is fundamentally different from other organizations. First, our research is based on empirical data: actual 401(k) participant data, individual retirement account data, health savings account data, and more recently actual consumer-spending pattern data. In other words, we examine how people actually behave relative to, and use, their benefits. Second, we have no ax to grind. We have no advocacy or policy bias; no product or marketing bias. We let the facts speak for themselves. That's tremendously important, and I believe valuable, to our members, the benefits community, and policy makers.

Let me give you an example. We did some research on 401(k) plan leakage. The question we asked was, "What is the real culprit when it comes to plan leakage? Is it loans, is it cash-outs, or is it withdrawals?" The research strongly indicated that cash-outs are a major problem—and yet the focus has not been on cash-outs until recently. Cash-out solutions such as auto portability are increasingly coming up as areas to focus on. But if you don't have that research with facts telling you where to focus, you could easily focus on the wrong things and not have the right solutions that will help people.

Robert Powell: What about the non-partisan aspect of things? Do you find that's a difference in terms of how you're able to present your findings?

Lori Lucas: Being nonpartisan has been critically important to EBRI's mission since we started in the late 1970s. Our research is completely objective, and we take no positions. We don't have any reason to arrive at specific conclusions other than what the data tells us. Our researchers are former academics in many instances, and they value the integrity of the research itself. It's a combination of having unique data and researchers who understand the value of pure research, that is, looking at what the facts are telling them and not trying to validate conclusions they've already arrived at.

A great example of how much EBRI's nonpartisan approach is valued by regulators and policy makers is this instance: Early in my tenure at EBRI, I was talking to Preston Rutledge, of the Employee Benefits Security Administration,[5] and other regulators who were panelists at our board meeting about some of the research that EBRI was undertaking that was of particular interest to our members. I noticed that their eyes started glazing over, and I added: "But of course, the research is going to be the same as it's always been. Our research is of interest to our members, but ultimately, it's fact-based. It's EBRI research that has no policy agenda. And it's going to tell you exactly what the data is telling us." Their eyes lit up and they nodded: "Good. This is what we need."

I've come to believe in the importance of benefits for America's financial security and for a stronger economy. Having a motivated, engaged, and financially stable workforce is hugely linked to employers offering good benefits packages to their employees.

Robert Powell: Can you talk a little bit about what having data from across providers brings to, let's say, a recordkeeper who's presenting data on the participants in their field of purview? What kind of insights might that give you?

Stacy Schaus: And that data is coming in from so many different organizations, but it's also different types of data. It's not just 401(k) data, it's IRA [individual retirement account] data, and so on.

Lori Lucas: I like to say that the barrier to entry of replicating the databases that EBRI has built is pretty much 100 percent at this point. We started these databases decades ago and have built an infrastructure that is highly secure so that we can have this very sensitive data at the participant level. Our data is completely de-identified, but in such a way that we can still connect participant data across our databases. So, if you have a person who is in our 401(k) database and our consumer database of 22 million J.P. Morgan Chase consumers, we can see not only what the person is doing with their 401(k), but we also can see what their spending patterns are. We don't know who the person is, but we're getting this holistic picture of the individual—their balance sheet and essentially their income statement as well, which I think is incredibly important today, because more employers are recognizing the importance of looking at employees' financial well-being from a holistic standpoint.

Our surveys have also suggested that's what employees expect. In our Workplace Wellness Survey last year, we asked the question, "How much do you expect your employer to help you with your financial security?" The majority of people said that's an expectation of theirs. So [employees are expecting their employers to] not just help with retirement, but with overall financial security.

And here's the reason: With the success of such workplace solutions as automatic enrollment and contribution escalation, one thing employers have become concerned about is that, while they may be seeing good outcomes in the retirement plan, they don't know what's happening in the rest of their workers' financial lives. If people have balances in their 401(k) plans and are contributing, but they are about to have their utilities turned off for non-payment or are very stressed about not having emergency savings, then that's going to have an impact on the employee overall—not only on their financial wellness but potentially on their productivity and ability to be focused on work. So, again, this is something that is increasingly important, and EBRI is in a unique position to address it.

Stacy Schaus: EBRI is the only organization that can give you that holistic picture. Why is that? Why is it that you're able to bring together the information across all of those elements?

Lori Lucas: When I first started at EBRI, we were approached by NAGDCA [National Association of Government Defined Contribution Administrators] to potentially work with them to create a public retirement database, starting with defined contribution plans. They were talking to others and ultimately decided to partner with EBRI. They chose us because we're literally the only organization doing that. We have developed databases going back to the 1990s. We started with potentially the most sensitive data you have, in the retirement space at least, which is 401(k) data.

And we built this infrastructure that is incredibly secure. All our data is encrypted, but there's also no way to access it outside of EBRI's premises. And not only that, but we have researchers who have developed phenomenal reputations over many decades in mining this data. We created something that is not able to be duplicated outside. We were lucky that we created our databases in the 1990s, because it would be virtually impossible to create the same infrastructure today.

Stacy Schaus: What are some of the big questions that can be answered and myths that can be dispelled because you do have such comprehensive data?

Lori Lucas: One of the things we are focusing on is the haves and the have-nots in the retirement space. Our research has shown that just having access to a 401(k) plan makes it much less likely that you're going to fall short in retirement. Who has access to the 401(k) system? Generally, people who work for large companies. Those who don't have access, oftentimes, are people who work for smaller companies. So they are the have-nots.

Trying to retrofit the large employer 401(k) system to very small employers doesn't seem to be working, and I think that's why there's so much interest in an alternative set of systems, such as the MEP [multiple employer plan] system.

The other thing we're focusing on is how people spend money in retirement. This is a personal passion of mine and something that a lot of our members are really interested in because so many baby boomers are entering retirement. Our research is finding a considerable disconnect between how we think people spend money in retirement and how they actually do it.

For example, the Health and Retirement Study[6] shows that a majority of people with retirement assets don't spend them down during retirement. EBRI's Retirement Spending Survey finds that retirees actually seek to preserve or grow their assets out of concern of unexpected expenses in retirement. They're not necessarily afraid that normal daily expenses are going to deplete their retirement accounts. They're worried about things like assisted living or some other important expenditure that they may face at a very advanced age. It's a reasonable concern, but it's worrying to me because it means people are seeking to self-insure for a catastrophic event, which is probably inefficient.

The other thing we're learning about spending in retirement is that people are diverse in their approaches—and it has as much to do with sources of income as it does with amount of assets. Debt plays a huge role, as does the qualitative side of things, such as your goals in retirement, your aspirations, how you want to live in retirement, and of course, health status.

We are early in understanding how to help people better spend down their assets in retirement. Also, once we better understand spending in retirement, we will also gain insights that can improve how we approach preparing for retirement.

Stacy Schaus: First, how do people actually spend in retirement, and then, what are their actual needs in retirement? Then, what has to be done to get more plan sponsors sponsoring plans, so that people come in?

Lori Lucas: At EBRI we don't use retirement-income replacement metrics. Instead, we use data to understand how much people actually spend in retirement. So when we talk about people running short of money in retirement, we're talking about running short of what we've observed people spending. According to EBRI's Retirement Security Projection Model®, about 40 percent of U.S. workers will run short of money in retirement. In the aggregate, it is estimated that households currently ages 35 to 64 face an overall retirement savings shortfall of $3.83 trillion. This stems from lack of coverage and access to savings plans, low contribution rates, and leakage in the form of defined contribution plan loans, withdrawals, and cash-outs.

Robert Powell: Lori, our audience is largely investment advisors and institutions. Some of them might be member firms of EBRI. What takeaways might you offer those advisors as you think about the saving and spending patterns you've witnessed?

Lori Lucas: Through our research, we've developed a set of five retiree profiles ranging from affluent to struggling retirees. Affluent retirees, obviously, have saved more for retirement than average, and they register the highest level of retirement satisfaction of any of the retiree profiles. However, it is important to understand that it is not just the amount of assets that drives retirement satisfaction among affluent retirees but evidently the presence of guaranteed income, such as pension income. We see that in other profiles as well—having a steady stream of income is highly tied to people's retirement security. Going forward, we know that far fewer future retirees will have pension income. So that's going to be a challenge.

Another example is the just-getting-by versus the struggling retirees. The two profiles are very similar in many ways. Both profiles have low assets and income. However, the just-getting-by retirees rate their retirement satisfaction score much higher than the struggling retirees. The key difference between the two groups is that struggling retirees are much more likely to have unmanageable debt and to not own their homes. That's the key differentiator—debt in retirement is a real problem. And, unfortunately, we're seeing more people not only entering retirement with debt but actually having debt longer in retirement.

Stacy Schaus: Who is failing and who is succeeding? Are we more likely to see people in public plans or the municipal and state workers and so on succeed because they have defined benefit plans typically versus private workers?

Lori Lucas: In our Spending in Retirement Survey, we asked whether people felt like they'd saved enough for retirement. The majority wished they'd saved more. And yet—with the exception of struggling retirees—people seemed to rate their satisfaction in retirement as pretty good. It's possible that retirement satisfaction comes from different sources than we expect. Priorities change. What is satisfying changes. I always tell the story about my dad, who was a foodie his whole life. He always wanted to go to the nicest restaurants and have the best meals. When he got to retirement, he started going to a diner instead of nice restaurants and raved about how much he liked it. I figured maybe he was afraid to spend his money on nice restaurants and that's why he favored the diner. But other retirement experts have explained that as you get older, you enjoy different things. In this instance, maybe my dad no longer enjoyed sitting for hours in a loud restaurant like he did when he was younger. A diner may be preferable because it's faster and easier to navigate.

As I mentioned earlier, retirement success also seems to be strongly linked to retirement-income security. Retirees in the retirement spending survey with retiree medical benefits, pension benefits, or some kind of guaranteed stream of income had the highest retirement satisfaction scores. This is something that we need to think about going forward. With pension income becoming less common, how do you give people security that they're not going to run out of money in retirement?

Robert Powell: I know EBRI also has done research on the state-run IRAs. What kind of changes do you see in the future for the system and how it might close some of these gaps?

Lori Lucas: The state IRA plans are a real-life experiment about which structures work and how they can benefit people working for smaller employers. For example, some of the state plans automatically enroll workers into a capital-preservation fund, and then if the individual takes no action after a period of time, the money is transferred into a target-date fund. Does that structure support better outcomes? And what lessons can we learn from it?

Robert Powell: Let's talk about auto portability. What does that actually involve?

Lori Lucas: One configuration of auto portability is that when people change employers, their defined contribution balances follow them automatically. That's a big change from the current system. In fact, the way the system is set up today, one of the easiest things to do when you terminate employment is just to cash out your plan balance. In contrast, arguably the hardest thing to do in the current 401(k) system is to move your money from one employer plan to another. By making plan-to-plan rollovers automated—the path of least resistance, as they say in behavioral finance—you increase the chance that retirement money will stay in the system.

Stacy Schaus: Australia has a centralized system, right? If you receive a statement saying what you have in retirement assets, it includes everything you've accumulated in the superannuation defined contribution system. Related to that, I would like to get back to the question of MEPs. Are we likely to follow other systems such as Australia's? What's in it for the employer? How do we make it better? How do we get more employers in? Or will we move toward MEPs, where we really are looking toward other types of organizations to bring these benefits to individuals?

It's the difference between a piecemeal approach that is driven by tax consequences versus an approach that asks the question, "How do we get to an outcome that leads to retirement security for the majority of our workers?"

Robert Powell: Australia is much more like the traditional private-sector defined benefit system, where the employer puts all the money in and employees can contribute, but they don't have to. But it's mandatory for the employer. Australia has ultimately had some issues just because of the funding issue that defined benefit plans have.

Lori Lucas: We cannot lose sight of how important benefits are when it comes to the relationship between employee and employer. And over time, we've seen an erosion in benefits such as pension plans and retiree medical. I believe that's why we're seeing such an interest by employers in financial wellness benefits today. One large employer explained it to me this way: Employers offer financial wellness benefits to fill in the gaps left by other benefits that have gone away. Benefits are the key to a loyal, productive workforce. It can't be all transactional. It can't be just getting a paycheck. That's not how you build a loyal workforce or attract and retain talent.

Take the example of the 401(k) plan. From the participant perspective, there's value in having an employer be the fiduciary, having them select the investment fund lineup, provide investor education, and automatic payroll deductions. You can see that value just by looking at contributions to IRAs that are not sponsored by an employer—you don't have a lot of people contributing to individual retirement accounts. Most of the money in these accounts comes through rollovers from 401(k) plans.

Stacy Schaus: What will keep employers that have these large plans from backing away if they have the opportunity such as a MEP? I think your answer has been, "Well they build loyalty by offering these benefits," but at what cost, and what might we see in the future?

Robert Powell: I should just mention that the plaintiff's bar has discovered MEPs. Although that hasn't targeted the plan sponsors, yet—it's been about the MEP providers. But I think Lori's got a great point on the concept and premise behind the MEPs, because I think it's going to make it easier for people who provide retirement plan services to offer those services profitably to a different market. We always talk about the fact that small plans are sold and not bought. I think that'll provide an incentive. I think to Lori's point, that's one of those levers that tries to help us close the coverage gap. And the same with the state IRAs. It seems like all these different program elements take us a little closer to the goal. The ultimate issue is how do we piece all that together? How do we truly build something that's integrated from the standpoint of the worker, for retirement and their ability to draw on those resources?

Lori Lucas: Other countries have clearly done a better job than the United States in approaching their retirement systems holistically. The Australian superannuation system is a good example of a retirement system that has been put together with a specific set of goals in mind for Australian retirees. It's the difference between a piecemeal approach that is driven by tax consequences versus an approach that asks the question, "How do we get to an outcome that leads to retirement security for the majority of our workers?"

Stacy Schaus: Lori, you mentioned before that in the retirement confidence studies you've done, whether or not people have long-term care security, healthcare costs are a huge concern. If you look at Australia and throughout Europe, healthcare cost concerns have to be significantly lower or possibly not there at all. So, any comments on what we've learned from the healthcare side, especially with your work on HSAs [health savings accounts]?

Lori Lucas: From the Health and Retirement Study, we found that at the median, out-of-pocket healthcare costs aren't likely to be massive for the average person. But at the 90th and 95th percentile, we're talking about a very large sum of money that a retiree could need if they end up in assisted living for any period of time. Normally, with statistics, focusing on the median is logical. But the specter of being 85-years old, in that 95th percentile, without enough money to afford assisted living, is pretty frightening for people.

HSAs can definitely help here. They are one of the least appreciated retirement savings vehicles—but with their triple tax advantage, they could really help people increase their retirement savings. As you mentioned, Stacy, we're doing a lot of work in that area with our database of more than 10 million HSA accounts.

Stacy Schaus: Let's talk about what we've seen over the past year or two, what we've learned because of the COVID-19 pandemic and its impact on retirement overall, health care, and financial wellness. Can you talk about this environment in particular?

Lori Lucas: The Retirement Confidence Survey shows that as long as people have jobs and have not suffered unemployment, retirement confidence has not taken much of a hit. That's partially because the market has done so well even in the face of the pandemic. However, you look at people who have either gotten out of the workforce because they've been laid off or because they've had to quit due to caregiving or some other needs, and they're in a completely different situation. And women, of course—especially women of color—have been especially affected by unemployment during the pandemic. That's cast a strong light on emergency savings.

Which brings us to the role of the 401(k) plan as a de facto emergency savings vehicle. The CARES Act, of course, provided emergency access to 401(k) plan loans and distributions for those affected by COVID-19.[7] I'm of two minds about that. On the one hand, thank goodness people have 401(k) plans in case of emergencies, because so few have liquid savings. But on the other hand, if this keeps happening—and we seem to have a lot of these times where there are systemic emergencies—the 401(k) plan becomes a de facto emergency savings vehicle. And that has big implications for what people's retirements are going to look like. Employers are becoming more attuned to this, and they are increasingly focusing on the area of emergency savings and helping people to have a separate emergency savings fund so that they're not always tapping into their 401(k) plans.

Robert Powell: You've talked about financial wellness before, and obviously emergency savings are a component. Anecdotally, as well as in the surveys, there's a lot of indication that COVID has made us all more aware of health and wellness and financial wellness and the bumps in the road.

But what I found interesting, in the surveys that EBRI has done on financial wellness, there's a lot of interest in it but there seems to be some confusion about what financial wellness is. People still seem to be doing more window shopping than actually implementing things. Do you think any of that has changed because of COVID? And secondly, what do you think it might take to get more people into that game? Would it be as simple as understanding it better? Do we have shortfalls in terms of the service offerings? Everybody seems to think it's a good idea, but how do we get people going?

Lori Lucas: One plan sponsor I spoke with said she had examined more than three dozen financial wellness programs before implementing one. There are so many offerings out there and the definition of what constitutes a financial wellness offering is not universally agreed upon. Even the definition of success isn't universal. In our Employer Financial Wellbeing Survey, we asked employers: "Why are you offering these financial wellness plans? What are you trying to achieve, and what constitutes success?"

The real holy grail is for employers to be able to demonstrate that they've actually achieved their success measures. What they really want is quantitative data that says, yes, we were able to increase participation in the 401(k) plan or reduce absenteeism.

It was pretty much all over the map. Retirement factors heavily into the equation; employers want people to better engage with their 401(k) plans and to be financially stable enough so that they can actually be in a good position to contribute to their 401(k) plans. But other driving factors are increased productivity, reduced turnover, lower absenteeism, and even reduced healthcare claims.

There's also a disconnect between what employers are trying to accomplish and how they're measuring success. Many employers just default to measurements such as, "Did people show up at my financial wellness seminar?" But the real holy grail is for employers to be able to demonstrate that they've actually achieved their success measures. What they really want is quantitative data that says, yes, we were able to increase participation in the 401(k) plan or reduce absenteeism, etc. That's why we built EBRI's Financial Wellbeing Research Center. It's essentially a think tank housing a new database of 500 plans offering an array of financial wellness initiatives. We're connecting those plans to our other databases so we can look at things like when somebody undertakes a financial wellness initiative—whether it's a seminar on budgeting, a course on student loan debt, or a webinar on emergency savings, etc.—how does their use of their 401(k) plan change, for example. Ultimately, we want to build out all those other measures I mentioned and give employers the ability to say: "Here's the impact that these initiatives are having. Here's how this is changing the behavior and moving the dial." This, in turn, will help employers justify their investment in their programs.

Stacy Schaus: Lori, how is financial wellness typically being delivered? Is it being delivered through the recordkeeper platform as part of a recordkeeper-enhanced service? Or is it through an advisory type of a firm? Then, depending on how it's being delivered, how extensive is it in terms of the online tools versus having actual advisors or counselors, and to what extent might they be objective versus somehow being indirectly or directly paid by bringing assets under management?

Lori Lucas: It's all the above. A lot of times, it is coming through the recordkeeper, especially for larger employers. And it may be the recordkeeper directly, or from a third party that the recordkeeper brings onto the platform. But when it's full financial counseling, it might be more of a standalone type of service. What's encouraging is the extent to which full financial counseling is being made available more broadly. That used to be something that was more reserved for executives.

In our 2020 Financial Wellbeing Research Center Symposium, one of our speakers was a woman who was not an executive at an organization. She had just experienced a divorce a couple years earlier that landed her in a dire financial state with $60,000 in debt. Through her employer, she was able to get full financial counseling. She told a story of how it had completely changed her life. She was down to having only $12,000 of debt and along the way had lost 80 pounds because the stress in her life had been so reduced by getting out of this horrible financial condition. Her gratitude to her employer was off the charts. That's how you build loyalty within a workforce.

From an employer perspective, one of the frustrations I've heard is that employers feel like they have to pull together a patchwork of financial wellness initiatives when what they'd really like to do is flip a switch and have a holistic financial wellness program come into their environment. But often it's a matter of a key financial wellness champion within an organization pulling together what they think is most necessary for their workforce.

Stacy Schaus: What are employers doing to help employees manage debt? How do employers deliver more than just tools to help people but still keep themselves out of harm's way in terms of being a target for litigation?

Lori Lucas: In last year's Employer Financial Wellbeing Survey, quite a large number of employers said that they wanted to provide an emergency savings program, but a comparatively smaller number have actually done so. Employers are still working through what constitutes an effective emergency savings program, and how such a program fits in.

A key frustration is that when employers provide these benefits, it's difficult to get people to take advantage of them. In one of our panels at our inaugural Financial Wellbeing Symposium, employers said they felt lucky if one-third of their employees engaged in a financial wellness program that they made available. These were employers that had spent a lot of time trying to get people to engage.

We see this in our Employer Financial Wellbeing Survey: In 2020, employers noted that they had really upped their game when it came to making financial wellness initiatives available. However, in our employee Workplace Wellness Survey—fielded at the same time—employees said they felt employers were doing less in this area. So, there is a profound disconnect between what employers believe they are doing and how employees are perceiving or benefiting from it.

Robert Powell: I'm curious what you think about HSAs, their growth, the trends you're seeing.

Lori Lucas: HSAs until very recently have been viewed exclusively as part of the health benefits side of the equation; they haven't been positioned as a retirement-savings vehicle. That's changed. A lot of the members of EBRI who are in the financial services industry are very interested in HSAs and how they fit into the retirement equation. But right now, after more than a decade, very few HSAs are invested. Balances are being accumulated in HSAs, which is good news. But even people who are invested tend to take out large distributions. So, there's clearly a lot of room for education about the investment and savings potential of HSAs.

There's undoubtedly a role for employers, HSA providers, and financial services firms to better position HSAs and explain their potential value in retirement. We are doing quite a bit of research at EBRI looking at the experience of those with both an HSA and a 401(k) plan, and also how HSAs can improve retirement-income adequacy.

Robert Powell: Do you want to talk a little bit about the Retirement Security Projection Model (RSPM) and how that works and how that fits into all this real data?

Lori Lucas: The RSPM sits on top of our empirical data. It also brings in other sources of data—like this Survey of Consumer Finances and the Health and Retirement Study—to inform the basic understanding of how people are likely to fare in retirement. It brings in defined benefit plan income, Social Security—in essence, creating a full retirement picture based on what we're seeing in the world today. It also has the flexibility to project outcomes for different cohorts by age, by tenure, by salary. We're incorporating ethnicity and different minorities into the RSPM as we speak, so that we can better understand how different races are doing relative to each other when it comes to retirement security.

Then we can do this what-if analysis. One we're working on right now is SECURE 2.0—examining, for example, how provisions such as changes to the Savers Credit might impact retirement outcomes.

Robert Powell: Any thoughts about what the Biden administration means for employee benefits and retirement security in general? What would be EBRI's call to action to policy makers, given all that you know?

Lori Lucas: We've been organizing educational meetings with Hill staffers to make them aware of EBRI research that might help inform their understanding of retirement and other benefits. But, as you know, we do not engage in advocacy. For example, our research continues to find a strong correlation between guaranteed income and retirement satisfaction. We'll explain these results in our educational sessions. But we leave it up to policy makers to determine the policy implications of such a finding.

Stacy Schaus: I know you've done work with Georgetown, Stanford, and Harvard over time. Any thoughts about working with the major universities on these important questions and issues? Also, what is the relevance and importance to the C-suite as leaders of our organizations across the country and even some of the multinational organizations? How much do they really care about the work that EBRI is doing and benefits in general?

Lori Lucas: There's certainly some overlap in what we're doing and what these universities are focusing on, and we collaborate as much as possible. However, our databases are so sensitive, we can't provide direct access to the data. But we can generate summary analysis that can help facilitate research goals. That's generally how we work with universities.

In terms of the C-suite, our Retirement Security Projection Model really does lend itself to high-level conversation about the future of benefits. I would love to involve more leaders in such discussions.

Stacy Schaus: Is there any relevance in the research that you're doing for ESG [environmental, social, and governance investing] considerations?

Lori Lucas: We're really excited because with our new public plan database that I mentioned earlier, we've been able to obtain a level of data granularity around investments that we haven't previously had with other databases. For this database, we've obtained data on not only ESG but also on white label funds and active versus passive. So we have new data that we've never had before, which opens doors to additional important research.

Stacy Schaus: Is there anything that you would like to share as closing words of wisdom?

Lori Lucas: My closing words of wisdom are there might be a silver lining to COVID-19, which is that the retirement industry probably understands more about what it's like to be in retirement because of quarantine than ever before.

Robert Powell: Lori, we ask everyone we interview about their personal plans to retire. I think Bob Merton said that he has no plans to retire.

Lori Lucas: I have a variation of that. When I find something more interesting to do than what I'm doing now is when I will retire.

ENDNOTES

1. Andrew Metrick is the Janet L. Yellen Professor of Finance and Management at the Yale School of Management and the director of the Yale Program on Financial Stability. Before joining the Yale faculty in 2008, he held positions in the finance department at Wharton and the economics department at Harvard. In academic year 2009–2010, he was on leave at the Council of Economic Advisers in Washington.
2. David Laibson is the Robert I. Goldman Professor of Economics at Harvard. Laibson's research focuses on behavioral economics with emphasis on intertemporal choice, self-regulation, behavior change, household finance, public finance, macroeconomics, asset pricing, aging, and biosocial science.
3. James Choi is a professor of finance at the Yale School of Management. His research spans behavioral finance, behavioral economics, household finance, capital markets, health economics, and sociology. His work on automatic enrollment has led to changes in pension-plan design around the world. He is a co-director of the Retirement and Disability Research Center at the National Bureau of Economic Research, an associate editor at the *Journal of Finance*, a member of the American Finance Association's Ethics Committee, and a TIAA Institute Fellow. He has served on the FINRA Investor Issues Committee and on a Technical Expert Panel for the U.S. Department of Health & Human Services.
4. Brigitte Madrian is the Aetna Professor of Public Policy and Corporate Management at the Harvard Kennedy School. Before joining Harvard in 2006, she was on the faculty at The Wharton School of the University of Pennsylvania, the University of Chicago Booth School of Business, and the Harvard University Economics Department. She is also co-director of the Household Finance Working Group at the National Bureau of Economic Research.
5. Preston Rutledge is the founder and principal of Rutledge Policy Group, LLC. Previously, he was the U.S. Assistant Secretary of Labor in charge of the Department of Labor's Employee Benefits Security Administration.
6. The Health and Retirement Study is a longitudinal survey of a representative sample of Americans older than age 50 conducted by the Survey Research Center at the Institute for Social Research at the University of Michigan in Ann Arbor and supported by the National Institute on Aging. The study interviews approximately 20,000 respondents every two years about subjects such as health care, housing, assets, pensions, employment, and disability (https://en. wikipedia.org/wiki/Health_and_Retirement_Study). Learn more at https://hrsparticipants.isr.umich.edu/.
7. In March 2020, U.S. lawmakers passed a $2-trillion stimulus bill called the Coronavirus Aid, Relief, and Economic Security (CARES) Act to blunt the impact of an economic downturn set in motion by the global coronavirus pandemic. President Donald Trump signed the bill into law on March 27, 2020. https://www.investopedia.com/coronavirus-aid-relief-and-economic-security-cares-act-4800707.

5619 DTC Parkway, Suite 500
Greenwood Village, CO 80111
Phone: +1 303-770-3377
Fax: +1 303-770-1812
www.investmentsandwealth.org