Retirement Income
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Pension experts assess ‘OregonSaves’

By Editorial Staff *Thu, Jun 23, 2022*

Workers in industries and firms with low wages, volatile wages, and high turnover have trouble saving, even in state-sponsored, auto-enrolled Roth IRAs, research shows.

With only about half of the US private-sector workforce currently covered by an employer-sponsored retirement plan, public policymakers and academics have been looking at the causes of this gap and at the success of measures taken to close it.

A team of prominent pension experts recently analyzed the records of the OregonSaves, a state-sponsored, employer-based, payroll-linked, auto-enrolled Roth IRA for workers whose employers didn’t actively sponsor a tax-deferred retirement savings plan for them.

For their paper, “**Auto-Enrollment Retirement Plans for the People: Choices and Outcomes in OregonSaves**,” John Chalmers, Olivia S. Mitchell, Jonathan Reuter and Mingli Zhong assessed the success of the program by analyzing participation choices, account balances, and inflow/outflow data using administrative records between August 2018 and April 2020.

Their findings:

“Within the small to mid-sized firms served by OregonSaves, estimated average after-tax earnings are low ($2,365 per month) and turnover rates are high (38.2% per year). We find that younger employees and employees in larger firms are less likely to opt out, but that participation rates fall over time.

“The most common reason given for opting out is “I can’t afford to save at this time,” but the second most common is “I have my own retirement plan.” At the end of April 2020, 67,731 accounts had positive account balances, holding $51.1 million in total assets.

The average balance is $754, but there is considerable dispersion, with younger workers accumulating the fewest assets due to higher rates of job turnover.

"Overall, we conclude that OregonSaves has meaningfully increased employee savings by reducing search costs. The 34.3% of workers with positive account balances in April 2020 is comparable to the marginal increase in participation at larger firms in the private sector.

"Nevertheless, there are significant constraints to the savings that auto-enrollment savings plans can achieve when provided to workers in industries and firms with low wages, volatile wages, and high turnover. Our evidence suggests that employees who are opting out of OregonSaves are often doing so for rational reasons."