

REVISED & EXPANDED EDITION

JACOB S. HACKER

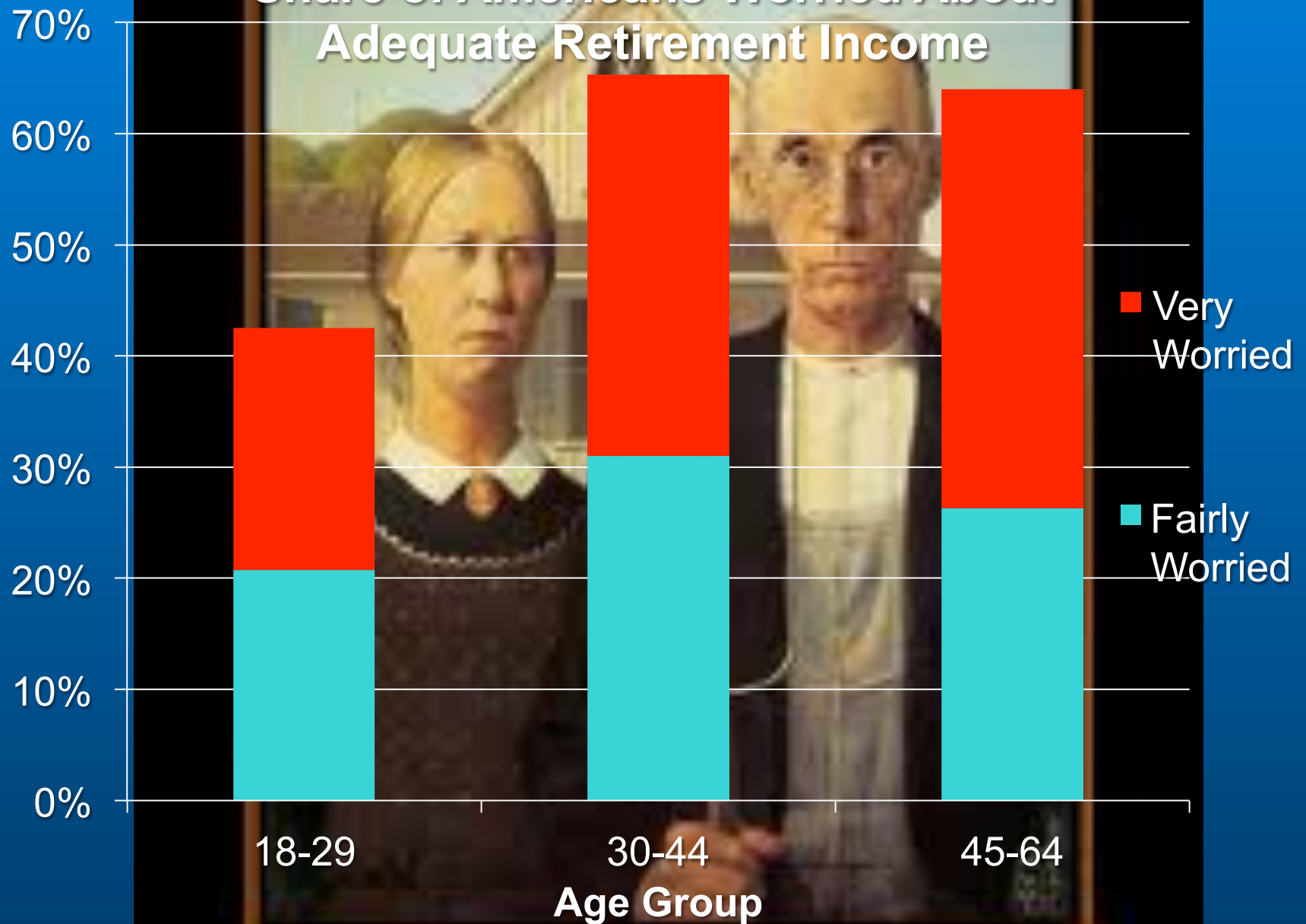
THE GREAT RISK SHIFT

**The New Economic Insecurity
and the
Decline of the American Dream**

"The essential policy book of the year."

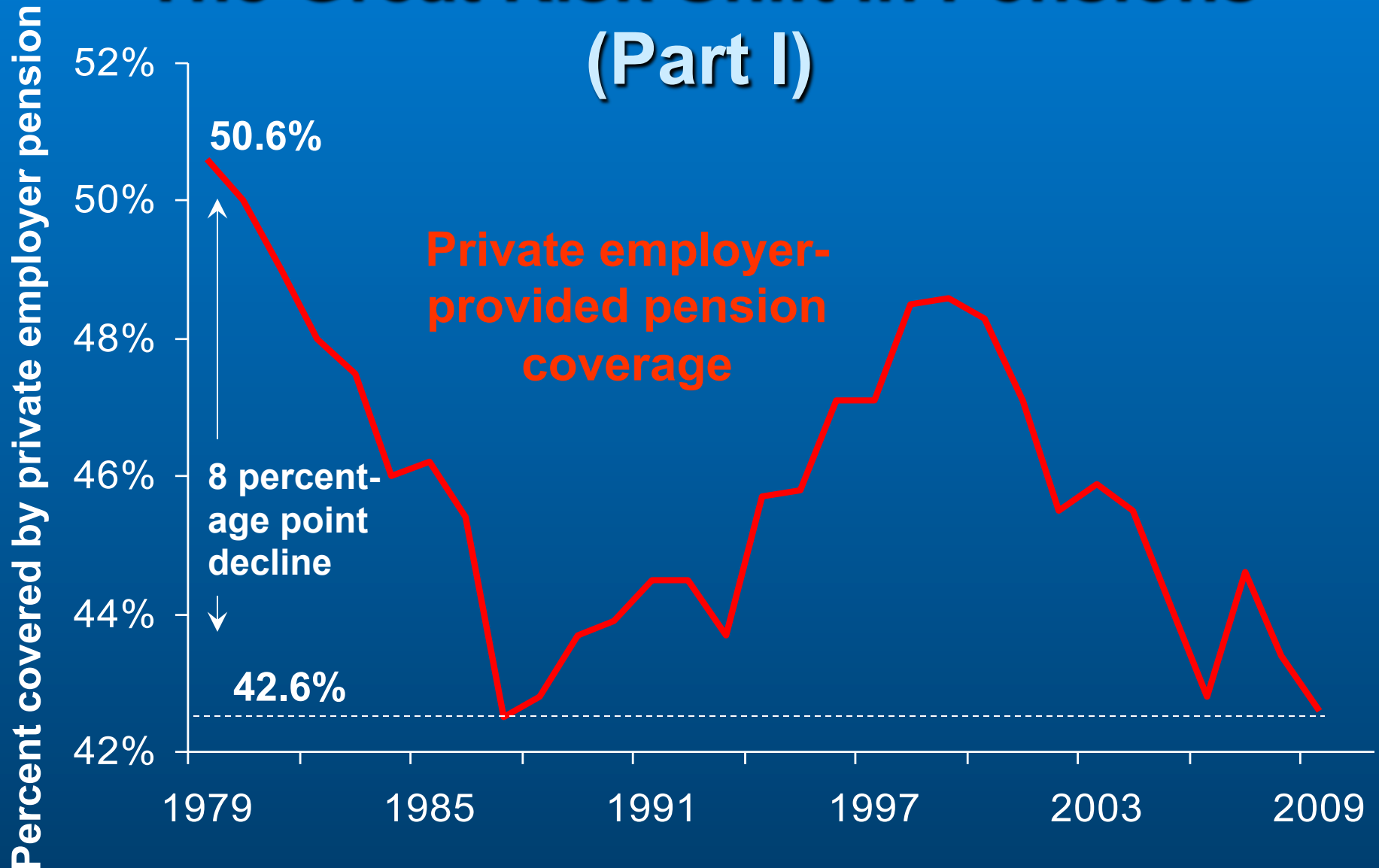
— E.J. Dionne, *Washington Post*

Share of Americans Worried About Adequate Retirement Income



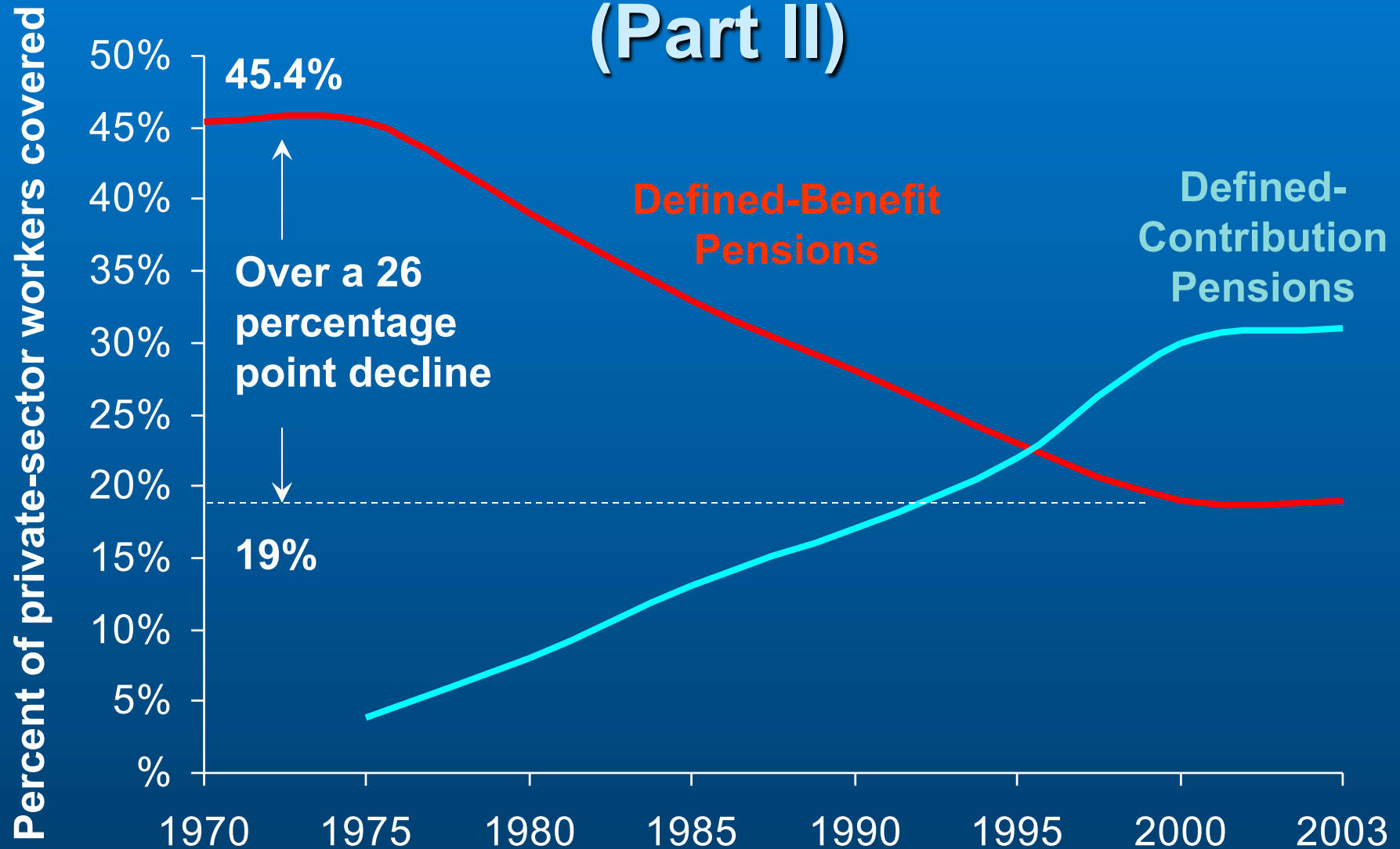
RETIREMENT PLAN?

The Great Risk Shift in Pensions (Part I)



Source: Economic Policy Institute, *State of Working America*, 2010

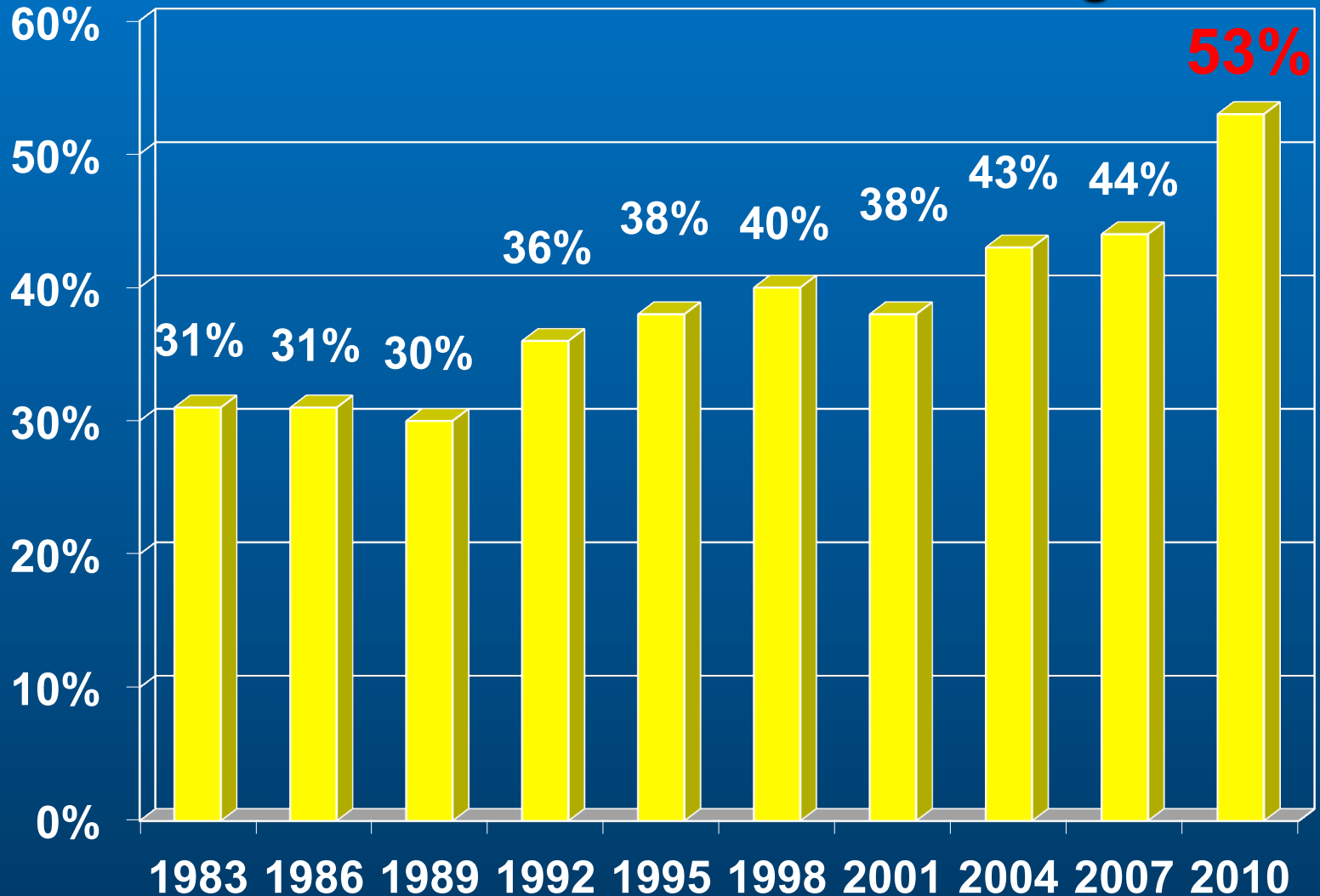
The Great Risk Shift in Pensions (Part II)



Source: Employee Benefits Research Institute, Center for Retirement Research.

Retirement Risk Index

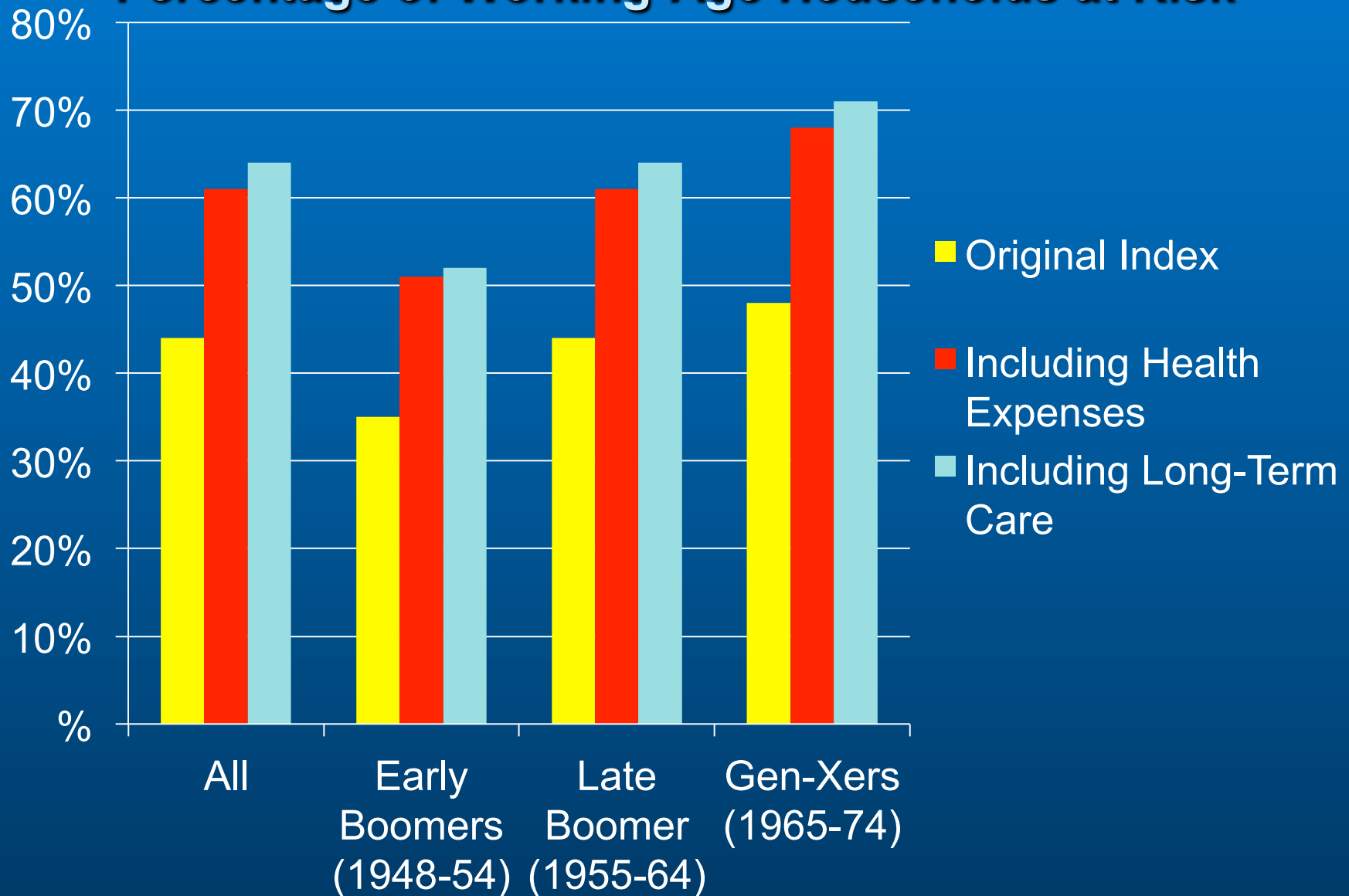
Percentage of Working-Age Households at Risk of Falling Short of Pre-Retirement Standard of Living in Retirement



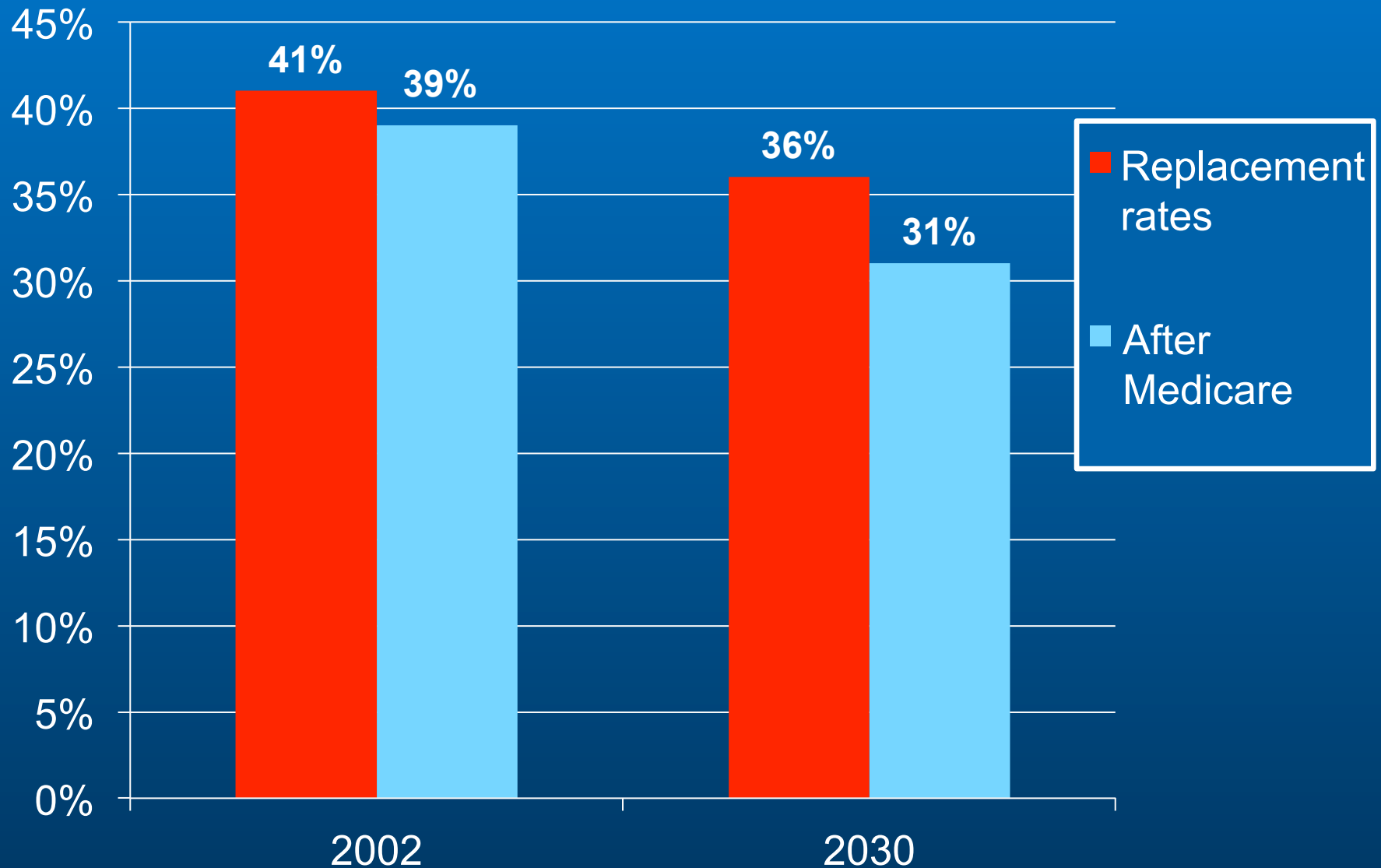
Source: Boston College Center for Retirement Research.

Retirement Risk Index

Percentage of Working-Age Households at Risk



Social Security Replacement Rates for an Average Earner at Age 65, 2002 vs. 2030



Toward Better Private Accounts

- Universalize
- Restructure tax incentives
- Default or Require
 - Participation
 - Contribution
 - Professional management
- Annuitization

State-Based Plans

- Consideration in Arizona, Colorado, **Connecticut**, Illinois, Indiana, Maine, Maryland, Massachusetts, Minnesota, Nebraska, Ohio, Oregon, Vermont, Washington, West Virginia, Wisconsin
- Key proposal=California
 - for private workers w/o retirement plans
 - Payroll contributions (default=3%)
 - Pooled-investment linked to worker
 - Auto-enrollment; no employer match
 - Guaranteed minimum benefit (projected: 5%)

Considerations

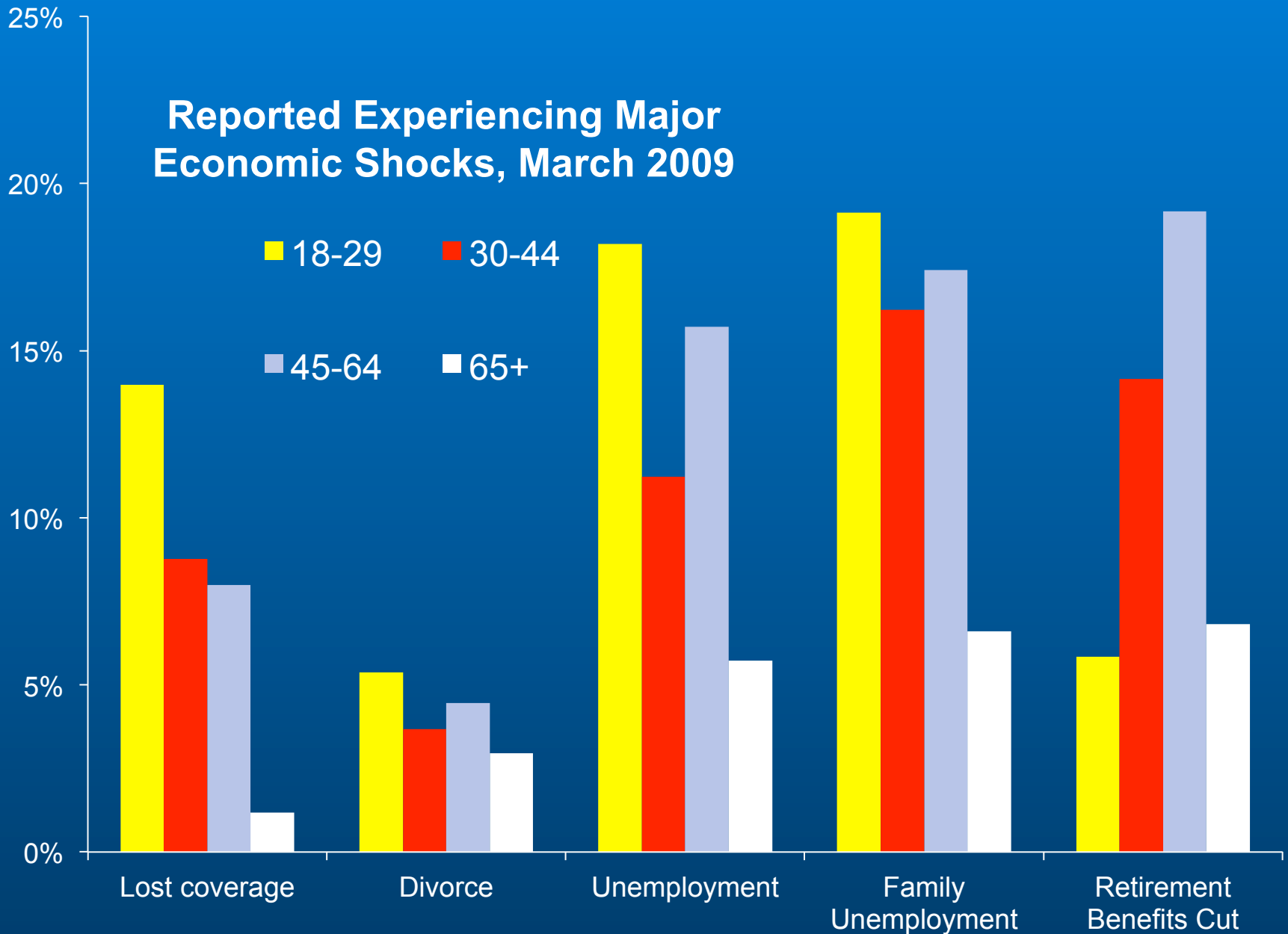
- ERISA (“Everything Ridiculous...”)
- Trade-offs for low-wage workers
- Flexibility versus Minimum Return & Risk Protection
- Risks of state or employer liability?
- Take-up
- The Politics of Reform



"I wish we had a retirement plan that didn't require matching six numbers."

Supplemental Slides

Reported Experiencing Major Economic Shocks, March 2009



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