

MEMO# 35418

August 23, 2023

GAO Releases Reports on Retirement Savings

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TO: ICI Members

Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension

Tax RE: GAO Releases Reports on Retirement Savings

The US Government Accountability Office (GAO) recently published two reports examining retirement savings in the US, one focused on 403(b) plans and the other focused on retirement account disparities by race and income.

403(b) Report

The first report is entitled "403(b) Retirement Plans: Department of Labor Should Update Educational Materials to Better Inform Plan Sponsors and Participants" ("403(b) Report").[\[1\]](#) The 403(b) Report, prepared at the request of Rep. Bobby Scott (D-VA), Chairman of the U.S. House Committee on Education and Labor, reviewed: (1) the extent of federal agencies' 403(b) plan oversight; (2) actions by selected states that could improve 403(b) participant outcomes; and (3) options stakeholders and experts have identified that could improve outcomes for 403(b) participants. In addition to analyzing DOL, IRS, and SEC data and documentation, GAO reviewed how five selected states worked to improve outcomes—including in some cases reducing fees participants pay—in 403(b) plans that are not subject to ERISA requirements. GAO also conducted and analyzed results from surveys of plan sponsors and service providers about options to improve participant outcomes.

GAO recommended that DOL update educational materials to contain information relevant to 403(b) plans, including information that could help participants understand plan fees. In commenting on the report, DOL neither agreed nor disagreed with GAO's recommendation. DOL stated that it would review its relevant publications to see if they should more specifically reference 403(b) plans.

Older Workers Retirement Account Disparities Report

The second report, entitled "Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time" ("Older Workers Report"), was prepared at the request of Senators Sheldon Whitehouse (D-RI) and Bernie Sanders (I-VT), Chairmen of the

Senate Committee on the Budget and the Health, Education, Labor, and Pensions Committee, respectively.^[2] The Older Workers Report examined disparities in the distribution of retirement account balances.^[3] GAO examined two data sets: retirement account balances for older workers' households (51-64 years old) over time using 2007-2019 Survey of Consumer Finances data; and 2018 Health and Retirement Study data to identify factors associated with the distribution of account balances by income groups. GAO found the following.

- Disparities between low-income and high-income older workers' retirement accounts were greater in 2019 than in 2007. For those with a balance, the median balance was higher for high-income households over the period 2007-2019, while any change for the other income groups was not statistically significant.
- Racial disparities also persisted over this period. A higher share of white households had a balance than those of all other races. Also, white households had about double the median balance as households of all other races.
- Income, job-related factors, and race were strongly related to disparities in older worker households' retirement account balances.

GAO also looked at how selected strategies meant to increase retirement savings affect high-, middle-, and low-income workers. GAO found the following.

- While automatic enrollment can increase participation of low-income older workers with access to a workplace retirement account to about one-third, only about 23% of low-income workers have access to a workplace retirement account (compared with about 75% for high-income workers).
- Low-income workers may choose not to participate in a workplace retirement plan, for example if they have limited disposable income or expect Social Security to provide most of their retirement income.

Increasing contribution limits for workplace retirement accounts almost entirely benefits high-income workers, as about 23% of high-income compared with about 3% of middle-income older workers contribute the individual limit.

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Notes

^[1] The 403(b) Report is available at <https://www.gao.gov/products/gao-23-105620>.

^[2] The Older Workers Report is available at <https://www.gao.gov/products/gao-23-105342>.

^[3] The report defines retirement account balances as the sum of workplace retirement accounts (e.g., 401(k)-type plans) and individual retirement accounts (IRAs). See Older Workers Report p. 3.

should not be considered a substitute for, legal advice.