

VIDEO

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Focus on Funds: Retirement Reform, 40 Years Later

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Retirement Reform, 40 Years Later

This week marks the 40th anniversary of the Employee Retirement Income Security Act (ERISA). Sarah Holden, ICI's senior director of retirement and investor research, looks at the impact of ERISA and other retirement savings reforms.

Transcript

Stephanie Ortbals-Tibbs, Director, ICI Media Relations: Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

The landmark U.S. legislation protecting employees' pension assets and improving their receipt of benefits has just turned 40.

The Employee Retirement Income Security Act—known as ERISA—was signed into law on Labor Day, September 1974.

ERISA took bold steps to safeguard Americans' employer-sponsored pensions and create the individual retirement account, or IRA.

It set the stage for remarkable growth in assets that Americans have set aside for retirement.

U.S. Retirement Assets Trillions of dollars, 1974-2014:Q1

Note: For detailed definitions of the components of U.S. retirement assets, see Investment Company Institute, "The U.S. Retirement Market, First Quarter 2014" (June).

Sources: Investment Company Institute, IRS Statistics of Income, Federal Reserve Board, U.S. Department of Labor, American Council of Life Insurers, and National Association of Government Defined Contribution Administrators

At the end of 1974, assets earmarked for retirement totaled \$0.4 trillion.

Private-sector defined benefit plans, and government plans each accounted for a bit more than one-third of the total. Private-sector defined contribution plans accounted for 17 percent of assets, and annuities, 13 percent. There was a mere glimmer of IRA assets by the end of the year in which they were created.

Contrast that to today: U.S. retirement assets total \$23 trillion. IRAs now account for the largest single component of U.S. retirement savings, representing close to one-third of the total. Defined contribution plans are the second-largest component, with 401(k) plans representing the lion's share.

Sarah Holden, Senior Director, ICI Retirement and Investor Research: ERISA was a seminal moment in the development of U.S. pension policy. Further improvements and innovations have followed, with regulatory agencies—including the Department of Labor and the Treasury—playing important roles.

It's been a true public-private partnership involving policymakers, employers, financial services firms, and individual savers.

More Retirees Receive More Income from Private-Sector Retirement Plans
Percentage of retirees with private-sector pension income (DBandDC)

Note: Data are on a per capita basis.

Source: ICI tabulations of the March Current Population Survey

The past 40 years of U.S. pension policy have helped Americans build retirement nest eggs.

Today, more retirees get more income from private-sector retirement plans.

When ERISA was signed into law, about one-fifth of retirees received income from private-sector retirement plans. Today, about one-third do.

Stephanie Ortals-Tibbs: That's this week in funds. See you next week.

Additional Resources

- [ICI Viewpoints: Happy Birthday, ERISA! Congratulations on 40 Years](#)
- [ICI Retirement Resource Center](#)
- [Graphic: U.S. Retirement Assets \(pdf\)](#)
- [Graphic: More Retirees Receive More Income from Private-Sector Retirement Plans \(pdf\)](#)