

Benefits - Retirement Plan Abstracts

Workplace Financial Wellness

Annamaria Lusardi

The presentation will cover workplace financial wellness and some of the new research in this area. Particular attention will be given to two groups, Millennials and women, and the need for programs that address the challenges they face. Specific examples will also be provided.

Public Employees Work after Retirement

Melinda Morrill

As life expectancy rises, individuals are spending longer periods of time in retirement. Public employees are typically covered by defined benefit pension plans that encourage retirement at relatively young ages. Work after retirement might be particularly important for young retirees, yet relatively little research focuses on retirement transitions of public employees. Post-retirement employment might result from insufficient retirement income or an unanticipated income or health shock, or it might reflect workers' preferences to remain active. Pension policies or age discrimination laws might impede renegotiation of employment contracts for older workers seeking to work longer. We discuss the particular case of North Carolina state and local government employees. Using administrative records merged with responses to two surveys of public employees in North Carolina, we find that post-retirement employment is planned in advance for over three-quarters of active public sector employees over the age 50. Further, younger expected retirement ages are associated with higher rates of planned post-retirement work. Yet, when considering those that initiated retirement benefits within the past five years, nearly 70 percent are not currently working for pay. We explore the factors that predict planned and realized work after retirement for state and local government employees in North Carolina. We then discuss how retirement plan design, including accommodations for phased retirement and return to work, might allow public employees to work longer while retaining the integrity of the promised pension benefits.

Wrap Up Discussion

Colleen Manchester

Understanding the drivers of retirement-wealth accumulation is critical given that changes in employer-provided retirement plans have shifted responsibility for retirement savings increasingly to individuals. This presentation covers two factors – one cognitive and one motivational – that may lead to low levels of retirement wealth accumulation. Cognitively, individuals may underestimate the future value of saving today by neglecting compound interest when assessing returns to saving, which is known as exponential-growth bias (EG bias). The motivational factor is present bias, which is the tendency for individuals to act patient in the long term, but impatient in the near term such that they continually put off saving today. Using a representative sample of US households, we measure individuals' tendency for EG bias and present bias and relate them to individuals' retirement savings. We find that both biases are prevalent; however, having one bias does not increase the likelihood of having the other. These biases are negatively related to levels of retirement savings. Overall, we find that eliminating both biases would be associated with approximately an 11% increase in retirement savings.

Benefits - Health Plan Abstracts

Affordable Care Act

Christine Eibner

When the Affordable Care Act (ACA) was enacted in 2010, many predicted that the law could have wide ranging effects for businesses and their workers. By guaranteeing coverage and offering tax credits to individuals without employer insurance, the law created incentives for some firms to drop health insurance coverage. Guaranteed access to health insurance also had the potential to reduce labor force participation among individuals otherwise tied to their jobs for fear of losing coverage. New, ACA-mandated requirements for insurers, such as free coverage of preventative services, had the potential to increase premiums or lead to higher cost-sharing for non-preventative services. Other hypothesized effects of the law included increased uptake of self-insurance, use of “private exchange” benefit designs, and increased reliance on part-time workers.

Despite these concerns, in the two years since the major ACA provisions took effect, researchers have been hard-pressed to find evidence of major changes for businesses

and their workers. For example, premiums for employer health insurance have grown at rates similar to pre-ACA trends, the share of workers with employer insurance has remained relatively stable, and to date there is scant evidence of labor supply effects among those who are eligible for Medicaid expansion. But, with only two years of experience, it is still early to make strong conclusions about the ACA's effect on businesses. Several of the laws most important provisions for businesses, including the employer mandate and the Cadillac tax, were delayed. In addition, some businesses may have waited before making changes to see how well the ACA's marketplaces functioned. Given roll-out problems in 2014, and recent publicity about co-op failures and marketplace premium hikes, some businesses may remain wary about eliminating coverage and sending workers to the marketplaces. Finally, the 2016 presidential election creates uncertainty about the ACA's future. For all of these reasons, the ACA's implications for employers are likely to evolve over time.

Stronger Incentives and Better Information for Health Insurance Enrollees

Lorens Helmchen

This presentation will focus on recent trends in health insurance benefit design; lay out emerging challenges that these trends pose for payers, patients, and providers; and suggest open questions that future research in this area could address. The continued escalation of deductible and out-of-pocket maximum levels for both employer-sponsored high-deductible plans and plans offered on the Marketplaces is creating strong incentives for patients to consider cost when choosing among competing health care options. At the same time, the proliferation of Accountable Care Organizations and shared-savings arrangements, coupled with a shift to episode-based payment, increasingly encourages physicians to bear some financial risk for their patients' health care spending. These forces are creating complementary demand for outcomes measurement, performance reporting, decision aids, and transparency about financial rewards. Future innovations in health insurance benefit design will require a deeper understanding how ever more cost-conscious employees choose and use health plans and covered medical services.