

# **TARGET POPULATIONS OF STATE-LEVEL AUTOMATIC IRA INITIATIVES**

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## SUMMARY

Recent initiatives by state governments aim to increase the retirement savings of U.S. workers. The purpose of this report is to provide background analysis related to those initiatives. Specifically, this report provides a high-level overview of employer-sponsored pension coverage in the 50 states and the District of Columbia, and a more detailed characterization of workers who are targeted by the California and Illinois initiatives to expand retirement saving.

Among American private sector workers, we find that 72 million workers (53%) did not have access to an employer-sponsored pension plan in 2013. In both California and Illinois, workers targeted by state initiatives had lower incomes, were more likely to work part-time or part-year, were younger, were more likely to have never married, belonged more likely to a minority race or ethnicity, and were less likely to be U.S. citizens than other private sector workers. Despite these patterns, targeted workers are a diverse group. For example, in 2013 about 6%-7% of them lived in households with an income of \$200,000 or more.

While targeted workers may benefit from state initiatives to boost retirement savings, they also face weaker incentives to save for retirement because they are farther from retirement and can expect relatively more from Social Security than workers with access to an employer-sponsored pension plan. Given these weaker incentives, some may opt out of enrollment into their state plan. Opt-out rates are, however, outside the scope of this study.

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## 1. INTRODUCTION

Legislators in several states have recently proposed or passed initiatives to create new options for retirement saving. While their designs vary, the new vehicles typically resemble individual retirement accounts (IRAs) for private sector workers without access to an employer-sponsored pension. Workers will be automatically enrolled, but may opt out.<sup>1</sup>

This document primarily centers on retirement initiatives in California and Illinois:

- California passed Senate Bill 1234 in late 2012 to establish the California Secure Choice Retirement Savings Program; a market feasibility study of the program and approval from the IRS are currently ongoing. Employees of firms with five or more employees who do not offer an employer-sponsored retirement plan or automatic payroll deduction IRA will be automatically enrolled with a 3% default contribution unless they choose to opt out. Employers will not assume any liability for employee plan participation, investments, or any other program design or performances aspects, but employers that do not auto-enroll their employees are subject to a penalty.
- Illinois established the Secure Choice Savings Program in early 2015. Employers that have been in business for two or more years and have 25 or more employees and no qualified retirement plan are required to automatically enroll their employees with a 3% default contribution unless the employee chooses to opt out. The program is scheduled to be implemented by early 2017, provided the Illinois Secure Choice Board demonstrates that the system will be self-sustaining, qualifies for favorable federal tax treatment, and is not considered an employee benefit plan under the Employee Retirement Income Security Act of 1974 (ERISA).

This document characterizes the target populations of retirement initiatives in California and Illinois, i.e., private sector wage and salary workers without access to an employer-sponsored pension plan at firms with five or more workers (California) or firms that have been in business at least two years and have 25 or more workers (Illinois).

Our primary data source is the Annual Socio-Economic Supplement (ASEC) to the Current Population Survey (CPS) that was fielded in March 2014. Sponsored jointly by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics, the CPS is a household survey that collects detailed information about Americans' labor force participation and demographic characteristics; the ASEC (formerly known as the March Supplement) collects additional detail. Most of the information summarized here refers to the year before the survey interview, i.e., to 2013.

The remainder of this document is organized as follows. Section 2 provides an overview of access to employer-sponsored pensions in the United States. Section 3 and Section 4 characterize the target populations in California and Illinois, respectively. Section 5 concludes.

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<sup>1</sup> For an overview of state initiatives see, for example, the Georgetown University Center for Retirement Initiatives at <http://cri.georgetown.edu/states>.

## 2. POVERTY AND ACCESS TO PENSIONS IN THE UNITED STATES

To set the stage, Table 1 shows the number of people who lived below the poverty line and the poverty rate, both restricted to people age 65 or older in 2013. The poverty rate among the elderly ranged from 4% in Idaho to more than 13% in the District of Columbia, Louisiana, North Carolina, and South Carolina. The rate was 11% in California and 9% in Illinois.

**Table 1. Poverty Rate among People Age 65 or Older, by State (2013)**

State	People age 65+ below poverty line	Poverty rate	State	People age 65+ below poverty line	Poverty rate
Alabama	71,323	10.0%	Montana	11,225	7.3%
Alaska	4,118	5.7%	Nebraska	28,897	10.6%
Arizona	125,375	12.7%	Nevada	31,897	8.2%
Arkansas	49,978	10.0%	New Hampshire	11,419	5.7%
California	505,955	10.7%	New Jersey	98,057	8.1%
Colorado	51,635	7.9%	New Mexico	45,457	12.7%
Connecticut	34,337	6.9%	New York	319,524	11.1%
Delaware	11,118	7.1%	North Carolina	206,477	14.6%
District of Columbia	12,730	15.9%	North Dakota	6,888	8.2%
Florida	367,272	11.2%	Ohio	141,368	7.5%
Georgia	123,470	9.6%	Oklahoma	33,307	6.3%
Hawaii	15,392	7.2%	Oregon	69,590	10.8%
Idaho	9,045	4.4%	Pennsylvania	162,736	7.8%
Illinois	148,797	9.2%	Rhode Island	14,481	8.6%
Indiana	58,530	6.3%	South Carolina	109,406	13.8%
Iowa	28,950	6.7%	South Dakota	12,015	9.5%
Kansas	42,874	11.1%	Tennessee	102,054	10.8%
Kentucky	64,549	10.8%	Texas	363,471	12.1%
Louisiana	88,184	13.8%	Utah	28,714	8.9%
Maine	11,709	5.4%	Vermont	6,798	6.0%
Maryland	70,318	8.2%	Virginia	78,414	6.9%
Massachusetts	53,524	6.0%	Washington	61,571	6.1%
Michigan	98,082	6.8%	West Virginia	28,354	8.9%
Minnesota	49,524	7.0%	Wisconsin	53,005	6.0%
Mississippi	45,175	11.6%	Wyoming	7,447	9.9%
Missouri	56,296	5.6%			
United States	4,230,830	9.5%			

Source: 2014 CPS-ASEC.

Table 2 shows the fraction of private sector workers whose employer offers a pension plan and the fraction who participate in such a plan. Nationwide, the figures include 120.9 million wage and salary workers and 14.5 million self-employed workers (5.2 million who had incorporated their business and 9.3 million who had not). The offer rate ranged from less than 40% in New Mexico, Idaho, and Florida to 55% in Iowa, Pennsylvania, and the District of Columbia. Participation was lowest in New Mexico (26%), Nevada (29%), and Florida (29%). The offer and participation rates in Illinois were 48% and 38%, respectively, both slightly above the national average. The rates in California (40% and 32%, respectively) were lower than the national average.

**Table 2. Pension Offer and Participation Rates among Private Sector Workers (2013)**

State	Pension offer rate	Participation rate	State	Pension offer rate	Participation rate
Alabama	44.2%	34.7%	Montana	42.6%	29.7%
Alaska	45.3%	34.4%	Nebraska	50.0%	39.2%
Arizona	45.0%	31.6%	Nevada	41.3%	28.9%
Arkansas	42.7%	32.5%	New Hampshire	51.8%	40.8%
California	40.3%	31.6%	New Jersey	45.0%	35.7%
Colorado	45.8%	35.7%	New Mexico	36.5%	25.5%
Connecticut	51.4%	41.2%	New York	47.4%	37.3%
Delaware	51.4%	42.1%	North Carolina	43.6%	33.5%
District of Columbia	55.5%	44.4%	North Dakota	49.5%	37.6%
Florida	38.5%	29.4%	Ohio	51.2%	38.4%
Georgia	42.0%	31.9%	Oklahoma	43.1%	32.1%
Hawaii	47.5%	39.2%	Oregon	49.0%	37.8%
Idaho	38.4%	29.8%	Pennsylvania	55.3%	41.6%
Illinois	48.5%	37.8%	Rhode Island	49.1%	39.8%
Indiana	51.8%	40.4%	South Carolina	45.0%	34.1%
Iowa	54.9%	43.1%	South Dakota	45.7%	32.8%
Kansas	53.7%	39.1%	Tennessee	50.2%	37.9%
Kentucky	46.7%	35.9%	Texas	41.6%	32.4%
Louisiana	44.3%	32.8%	Utah	48.4%	34.6%
Maine	47.6%	35.8%	Vermont	51.2%	36.7%
Maryland	46.5%	35.1%	Virginia	52.6%	41.6%
Massachusetts	46.0%	38.0%	Washington	52.9%	40.8%
Michigan	54.0%	42.2%	West Virginia	46.0%	33.0%
Minnesota	54.4%	43.1%	Wisconsin	53.7%	42.6%
Mississippi	47.3%	37.4%	Wyoming	45.1%	32.7%
Missouri	54.4%	43.4%			
United States	46.5%	35.9%			

Source: 2014 CPS-ASEC.

Table 3 provides the number of private sector workers whose employer did not offer a pension plan in 2013. Nationwide, 72 million workers (53%) did not have access to a pension plan at their workplace. In California, 9.6 million workers did not have access to a pension, of whom 8.8 million were between the ages of 20 and 64. In Illinois, 3.0 million workers did not have access to a pension, of whom 2.6 million were between the ages of 20 and 64.

**Table 3. Number of Private Sector Workers Whose Employer Did Not Offer a Pension Plan (2013)**

State	Any Age	Age 20-64	State	Any Age	Age 20-64
Alabama	1,059,744	935,015	Montana	253,561	204,647
Alaska	149,097	129,090	Nebraska	471,695	388,708
Arizona	1,488,166	1,308,558	Nevada	662,763	575,212
Arkansas	648,004	566,903	New Hampshire	320,555	266,405
California	9,647,097	8,767,807	New Jersey	2,139,873	1,867,593
Colorado	1,370,111	1,204,868	New Mexico	443,002	341,133
Connecticut	800,028	674,247	New York	4,315,886	3,858,870
Delaware	186,505	162,367	North Carolina	2,219,437	1,964,037
District of Columbia	123,778	112,840	North Dakota	182,831	153,494
Florida	5,102,221	4,532,193	Ohio	2,428,706	2,063,097
Georgia	2,215,098	2,014,211	Oklahoma	829,279	706,086
Hawaii	269,410	236,695	Oregon	873,270	761,854
Idaho	431,534	364,616	Pennsylvania	2,665,313	2,255,188
Illinois	2,981,329	2,621,976	Rhode Island	249,840	212,321
Indiana	1,419,794	1,189,677	South Carolina	1,015,097	872,095
Iowa	691,167	576,171	South Dakota	232,168	189,503
Kansas	587,395	470,710	Tennessee	1,380,596	1,189,626
Kentucky	958,492	853,579	Texas	6,734,250	5,978,788
Louisiana	998,655	907,047	Utah	619,782	540,281
Maine	334,312	277,030	Vermont	147,872	122,256
Maryland	1,296,724	1,143,526	Virginia	1,616,158	1,368,332
Massachusetts	1,667,560	1,368,897	Washington	1,405,271	1,227,949
Michigan	2,031,488	1,689,537	West Virginia	370,309	319,628
Minnesota	1,218,204	995,334	Wisconsin	1,260,596	1,033,997
Mississippi	506,366	450,253	Wyoming	150,124	117,690
Missouri	1,234,141	1,008,314			
United States	72,404,652	63,140,252			

Source: 2014 CPS-ASEC.

### 3. THE TARGET POPULATION IN CALIFORNIA

We now turn to California workers. Table 4 shows the number of workers by type of employer (private, self-employed, government) and by whether they have access to a pension plan on their job. Excluding the self-employed, 14.1 million people worked in the private sector, of whom 6.3 million (45%) had access to an employer-sponsored pension plan. The offer rate was only 12% among the 2.1 million individuals identified as self-employed (including those with an incorporated business). The offer rate among government workers was 76% for state, 75% for federal, and 81% for local government workers.<sup>2</sup>

**Table 4. California: Pension Offers, by Type of Employer (2013)**

	Offered a Pension Plan? (Workers)			Offer rate
	No	Yes	Total	
Private	7,788,756	6,264,343	14,053,100	44.6%
Self-employed	1,858,340	249,064	2,107,404	11.8%
Federal Government	112,513	334,189	446,702	74.8%
State Government	180,883	582,932	763,815	76.3%
Local Government	269,548	1,115,114	1,384,662	80.5%
<b>Total</b>	<b>10,210,040</b>	<b>8,545,643</b>	<b>18,755,683</b>	<b>45.6%</b>

Source: 2014 CPS-ASEC.

The remainder of this section focuses on private sector workers, including both wage and salary and self-employed workers.

Table 5 tabulates private sector workers by firm size. Given that the California retirement initiative targets workers at firms with five or more employees, we separately identify firms with 1-4 and 5-9 employees. The CPS does not provide this granularity, so we imputed based on the distribution of employees by state and firm size as published by the U.S. Census Bureau's Business Dynamics Statistics.<sup>3</sup> We assume that the pension offer rate for firms with 1-4 or 5-9 employees was the same.

<sup>2</sup> It is possible that some respondents who worked for a government contractor incorrectly identified themselves as government workers.

<sup>3</sup> [http://www.census.gov/ces/dataproducts/bds/data\\_firm.html](http://www.census.gov/ces/dataproducts/bds/data_firm.html).

**Table 5. California: Pension Offers to Private Sector Workers, by Firm Size (2013)**

Firm size	Offered a Pension Plan? (Workers)			Offer rate*
	No	Yes	Total	
1-4 employees	1,832,763	238,061	2,070,823	11.5%
5-9 employees	1,985,493	257,899	2,243,392	
10-49 employees	2,039,064	716,725	2,755,789	26.0%
50-99 employees	746,686	468,099	1,214,785	38.5%
100-499 employees	876,619	1,091,403	1,968,023	55.5%
500-999 employees	317,346	372,672	690,018	54.0%
1000+ employees	1,849,125	3,368,550	5,217,675	64.6%
Total	9,647,097	6,513,407	16,160,504	40.3%

Source: 2014 CPS-ASEC, Business Dynamics Statistics.

\*Offer rate assumed to be equal for firms with 1-4 and 5-9 employees.  
See text.

The offer rate generally increases with firm size. While 40% on average across firms of all sizes, the offer rate was only 11% at firms with fewer than 10 employees. The California initiative targets 9.6 million private sector employees, excluding 1.8 million who work at a firm with 1-4 employees, for a total of 7.8 million workers in 2013.

To gain a better understanding of the population that may directly benefit from the initiative, the remainder of this section compares targeted private sector workers to their counterparts who did have access to an employer-sponsored pension plan at a firm with five or more employees. Workers at firms with 1-4 employees are excluded from the comparison. The analysis abstracts from both potential opt-out behavior and potential voluntary participation.

Table 6 shows summary statistics of private sector workers' annual earnings. At the median, overall annual earnings \$21,000 among targeted workers and \$45,000 among the comparison group of private sector workers with access to a pension plan at a firm with five or more employees. Restricting the sample to workers who reported working fulltime for at least 50 weeks during 2013, median annual earnings were \$32,000 for targeted workers and \$55,000 for the comparison group.

**Table 6. California: Earnings Distribution, by Subsets of Private Sector Workers (2013)**

Earnings	Private sector workers		Full-time, 50+ weeks	
	Target*	Comparison*	Target*	Comparison*
10th Percentile	3,850	12,000	15,000	23,000
25th Percentile	10,000	25,000	20,800	35,000
50th Percentile	21,000	45,000	32,000	55,000
75th Percentile	40,000	80,000	53,000	90,000
90th Percentile	72,000	130,000	90,000	140,000

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

Table 7 tabulates the annual incomes of the households in which private sector workers lived. Among workers targeted by the California retirement initiative, 37% lived in a household with less than \$50,000 income, compared with 17% among the comparison group. More than 525,000 targeted workers (7%) lived in a household with incomes of at least \$200,000.

**Table 7. California: Household Income Distribution, by Subsets of Private Sector Workers (2013)**

Household income	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Under \$10,000	147,365	1.9%	24,847	0.4%
10,000-19,999	475,875	6.1%	88,024	1.4%
20,000-49,999	2,239,582	28.7%	946,597	15.1%
50,000-99,999	2,662,217	34.1%	2,010,432	32.0%
100,000-199,999	1,763,849	22.6%	2,252,319	35.9%
200,000+	525,446	6.7%	953,128	15.2%
Total	7,814,334	100.0%	6,275,347	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

To help gauge implications of the California initiative for federal tax receipts and to help understand tax incentives for targeted workers, Table 8 tabulates the marginal federal tax rate facing workers. Most targeted workers (61%) are in brackets of 0% or 10%, compared with 42% of the comparison group.

**Table 8. California Private Sector Workers: Marginal Federal Tax Rate (2013)**

Marginal tax rate	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Zero	3,432,456	43.9%	2,043,746	32.6%
10%	1,325,579	17.0%	595,193	9.5%
15%	2,038,224	26.1%	1,730,967	27.6%
25%	737,833	9.4%	1,252,299	20.0%
28%	166,340	2.1%	420,325	6.7%
33%	71,239	0.9%	159,283	2.5%
35%	2,738	0.0%	11,229	0.2%
40%	39,924	0.5%	62,305	1.0%
Total	7,814,333	100.0%	6,275,347	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

Targeted workers are less likely to work full-time for at least 50 weeks (56%) than comparison workers (76%) and more likely to work part-time or part-year (Table 9).

**Table 9. California Private Sector Workers: Part-time and Full-time (2013)**

Work status	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Full-time, 50+ weeks	4,395,096	56.2%	4,760,161	75.9%
Full-time, <50 weeks	1,125,410	14.4%	656,535	10.5%
Part-time, 50+ weeks	1,207,461	15.5%	553,264	8.8%
Part-time, <50 weeks	1,086,367	13.9%	305,387	4.9%
<b>Total</b>	<b>7,814,334</b>	<b>100.0%</b>	<b>6,275,347</b>	<b>100.0%</b>

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

Targeted workers tend to be younger than their counterparts with access to a pension: 31% are under age 30, compared with 21% of comparison workers (Table 10).

**Table 10. California Private Sector Workers: Age Distribution (2013)**

Age category	Target*		Comparison*	
	Workers	Percent	Workers	Percent
15-19 years	280,668	3.6%	103,584	1.7%
20-29 years	2,143,734	27.4%	1,226,314	19.5%
30-39 years	1,677,952	21.5%	1,432,889	22.8%
40-49 years	1,548,979	19.8%	1,390,312	22.2%
50-64 years	1,771,652	22.7%	1,758,479	28.0%
65+ years	391,349	5.0%	363,769	5.8%
<b>Total</b>	<b>7,814,334</b>	<b>100.0%</b>	<b>6,275,347</b>	<b>100.0%</b>

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

As shown in Table 11 and consistent with the age distribution presented above, targeted workers are less likely married (47%) than comparison workers (57%) and more likely never married (40% compared with 31%). About 842,000 targeted workers were married to a spouse with access to a pension on his or her job. These represent 23% of targeted married workers and 11% of all targeted workers (not shown in the table).

**Table 11. California Private Sector Workers: Marital Status (2013)**

Marital status	Target *		Comparison*	
	Workers	Percent	Workers	Percent
Married	3,635,960	46.5%	3,578,461	57.0%
Widowed	115,993	1.5%	85,218	1.4%
Divorced	665,060	8.5%	545,877	8.7%
Separated	256,418	3.3%	108,713	1.7%
Never married	3,140,903	40.2%	1,957,078	31.2%
Total	7,814,334	100.0%	6,275,347	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

Table 12 indicates that targeted workers are somewhat more likely to be White and less likely to be Asian than comparison workers. The difference in Hispanic origin among targeted and comparison workers is larger: 43% of targeted workers were of Hispanic origin, compared with 30% of comparison workers (Table 13).

**Table 12. California Private Sector Workers: Racial Distribution (2013)**

Race	Target *		Comparison*	
	Workers	Percent	Workers	Percent
White	6,075,276	77.7%	4,593,169	73.2%
Black	403,670	5.2%	325,305	5.2%
Native American	43,489	0.6%	53,503	0.9%
Asian	1,016,854	13.0%	1,062,028	16.9%
Pacific Islander	77,073	1.0%	97,036	1.5%
Multi-racial	197,972	2.5%	144,306	2.3%
Total	7,814,334	100.0%	6,275,347	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

**Table 13. California Private Sector Workers: Hispanic Origin (2013)**

	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Hispanic	3,371,944	43.2%	1,852,259	29.5%
Non-Hispanic	4,442,390	56.8%	4,423,088	70.5%
Total	7,814,334	100.0%	6,275,347	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

Finally, Table 14 tabulates U.S. citizenship by country of birth. As many as 37% of targeted private sector workers in California were not a U.S. citizen at birth; almost one-half became a citizen through naturalization and 21% remained citizens of a foreign nation at the time of the survey. Among comparison workers, 11% were foreign nationals.

**Table 14. California Private Sector Workers: Citizenship (2013)**

Citizenship	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Native:				
—born in the United States	4,801,509	61.4%	4,376,463	69.7%
—born in Puerto Rico or U.S. outlying area	26,763	0.3%	12,113	0.2%
—born abroad of American parent(s)	79,068	1.0%	69,057	1.1%
Foreign born:				
—U.S. citizen by naturalization	1,244,461	15.9%	1,122,506	17.9%
—not a citizen of the United States	1,662,533	21.3%	695,207	11.1%
Total	7,814,334	100.0%	6,275,347	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 5+ employees that did not offer a pension plan (Target) or that did offer a pension plan (Comparison).

## 4. THE TARGET POPULATION IN ILLINOIS

We now turn to Illinois workers and provide an analysis comparable to the above analysis for California. Table 15 shows the number of workers by type of employer (private, self-employed, government) and by whether they have access to a pension plan on their job. Excluding the self-employed, 5.3 million people worked in the private sector, of whom 2.7 million (52%) had access to an employer-sponsored pension plan. The offer rate was only 12% among 0.5 million self-employed workers (including those with an incorporated business). The offer rate among government workers was 83%-84%.<sup>4</sup>

**Table 15. Illinois: Pension Offers, by Type of Employer (2013)**

	Offered a Pension Plan? (Workers)			Offer rate
	No	Yes	Total	
Private	2,530,204	2,744,292	5,274,496	52.0%
Self-employed	451,125	61,272	512,397	12.0%
Federal	24,211	120,995	145,207	83.3%
State	31,202	160,515	191,717	83.7%
Local	100,545	494,250	594,795	83.1%
<b>Total</b>	<b>3,137,288</b>	<b>3,581,323</b>	<b>6,718,612</b>	<b>53.3%</b>

Source: 2014 CPS-ASEC.

The remainder of this section focuses on private sector workers, including both wage and salary and self-employed workers.

Table 16 tabulates private sector workers by firm size. Given that the Illinois retirement initiative targets workers at firms with 25 or more employees, we separately identify firms with 10-24 and 25-49 employees. The CPS does not provide this granularity, so we imputed based on the distribution of employees by state, firm size, and firm age as published by the U.S. Census Bureau's Business Dynamics Statistics.<sup>5</sup> We assume that the pension offer rate for firms with 10-24 or 25-49 employees was the same.

<sup>4</sup> It is possible that some respondents who worked for a government contractor incorrectly identified themselves as government workers.

<sup>5</sup> [http://www.census.gov/ces/dataproducts/bds/data\\_firm.html](http://www.census.gov/ces/dataproducts/bds/data_firm.html).

**Table 16. Illinois: Pension Offers to Private Sector Workers, by Firm Size (2013)**

Firm size	Offered a Pension Plan? (Workers)			Offer rate*
	No	Yes	Total	
1-9 employees	986,153	197,867	1,184,020	16.7%
10-24 employees	282,755	165,937	448,693	37.0%
25-49 employees	271,667	159,430	431,097	
50-99 employees	254,913	215,361	470,275	45.8%
100-499 employees	371,571	427,336	798,907	53.5%
500-999 employees	110,538	179,630	290,168	61.9%
1000+ employees	703,731	1,460,002	2,163,733	67.5%
Total	2,981,329	2,805,564	5,786,893	48.5%

Source: 2014 CPS-ASEC, Business Dynamics Statistics.

\*Offer rate assumed to be equal for firms with 10-24 and 25-49 employees. See text.

The offer rate generally increases with firm size. While 48% on average across firms of all sizes, the offer rate was only 17% at firms with fewer than 10 employees and 37% at firms with 11-49 employees. The Illinois initiative targets workers at firms with 25 or more employees that have been in business for at least two years. The CPS does not ask for company age, so we again imputed based on company data from the U.S. Census Bureau's Business Dynamics Statistics.<sup>6</sup> Most larger companies have been in business for at least two years; the fraction ranges from 94% among companies with 20-49 workers to 100% (rounded) among companies with 1,000 or more workers. In all, the Illinois retirement initiative targets 1.7 million workers.

To gain a better understanding of the population that may directly benefit from the initiative, the remainder of this section compares targeted private sector workers to those who did have access to an employer-sponsored pension plan at a firm with 25 or more workers that had been in business at least two years. Workers at smaller or newer firms are excluded from the comparison. The analysis abstracts from both potential opt-out behavior and potential voluntary participation.

Table 17 shows summary statistics of private sector workers' annual earnings. At the median, annual earnings among targeted workers were \$21,000, compared with \$44,000 among the comparison population. Restricting the sample to workers who reported working fulltime for at least 50 weeks during 2013, median annual earnings were \$35,000 for targeted workers and \$50,000 for the comparison group.

<sup>6</sup> [http://www.census.gov/ces/dataproducts/bds/data\\_firm.html](http://www.census.gov/ces/dataproducts/bds/data_firm.html).

**Table 17. Illinois: Earnings Distribution, by Subsets of Private Sector Workers (2013)**

Earnings	Private sector workers		Full-time, 50+ weeks	
	Target*	Comparison*	Target*	Comparison*
10th Percentile	\$2,400	\$12,000	\$17,000	\$23,000
25th Percentile	\$9,000	\$25,000	\$23,000	\$35,000
50th Percentile	\$21,000	\$44,000	\$35,000	\$50,000
75th Percentile	\$40,000	\$69,160	\$55,000	\$75,000
90th Percentile	\$72,000	\$100,000	\$105,000	\$110,000

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

Table 18 tabulates the annual incomes of the households in which private sector workers lived. Among workers targeted by the Illinois retirement saving initiative, 35% lived in a household with less than \$50,000 income, compared with 18% among the comparison group. More than 108,000 targeted workers (6%) lived in households with incomes of at least \$200,000.

**Table 18. Illinois: Household Income Distribution, by Subsets of Private Sector Workers (2013)**

Household income	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Under \$10,000	74,671	4.5%	15,456	0.6%
\$10,000-\$19,999	112,588	6.7%	38,756	1.6%
\$20,000-\$49,999	394,968	23.6%	388,841	16.2%
\$50,000-\$99,999	600,204	35.9%	895,900	37.2%
\$100,000-\$199,999	381,853	22.8%	778,414	32.3%
\$200,000+	108,281	6.5%	289,799	12.0%
Total	1,672,566	100.0%	2,407,166	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

To help gauge implications of the Illinois initiative for federal tax receipts and to help understand tax incentives for targeted workers, Table 19 tabulates the marginal federal tax rate facing workers. More than one-half of targeted workers (59%) were in brackets of 0% or 10%, compared with 40% of targeted workers.

**Table 19. Illinois Private Sector Workers: Marginal Federal Tax Rate (2013)**

Marginal tax rate	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Zero	750,802	44.9%	801,889	33.3%
10%	242,870	14.5%	168,201	7.0%
15%	448,684	26.8%	756,157	31.4%
25%	177,923	10.6%	534,941	22.2%
28%	19,131	1.1%	98,741	4.1%
33%	20,279	1.2%	37,618	1.6%
35%	2,747	0.2%	4,794	0.2%
40%	10,131	0.6%	4,825	0.2%
<b>Total</b>	<b>1,672,566</b>	<b>100.0%</b>	<b>2,407,166</b>	<b>100.0%</b>

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

Targeted workers were less likely to work full-time for at least 50 weeks (56%) than comparison workers (76%) and more likely to work part-time or part-year (Table 20).

**Table 20. Illinois Private Sector Workers: Part-time and Full-time (2013)**

Work status	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Full-time, 50+ weeks	935,710	55.9%	1,819,037	75.6%
Full-time, <50 weeks	221,654	13.3%	264,107	11.0%
Part-time, 50+ weeks	207,444	12.4%	183,778	7.6%
Part-time, <50 weeks	307,758	18.4%	140,244	5.8%
<b>Total</b>	<b>1,672,566</b>	<b>100.0%</b>	<b>2,407,166</b>	<b>100.0%</b>

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

Targeted workers tend to be younger than other private sector workers: 37% are under age 30, compared with 24% of comparison workers (Table 21).

**Table 21. Illinois Private Sector Workers: Age Distribution (2013)**

Age category	Target*		Comparison*	
	Workers	Percent	Workers	Percent
15-19 years	113,246	6.8%	66,374	2.8%
20-29 years	508,925	30.4%	503,986	20.9%
30-39 years	289,470	17.3%	443,537	18.4%
40-49 years	310,371	18.6%	527,086	21.9%
50-64 years	376,323	22.5%	768,261	31.9%
65+ years	74,231	4.4%	97,922	4.1%
Total	1,672,566	100.0%	2,407,166	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

As shown in Table 22, targeted workers are less likely married (42%) than comparison workers (56%) and more likely never married (42% compared with 28%). About 187,000 targeted workers were married to a spouse with access to a pension on his or her job. These represent 27% of targeted married workers and 11% of all targeted workers (not shown in the table).

**Table 22. Illinois Private Sector Workers: Marital Status (2013)**

Marital status	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Married	699,057	41.8%	1,358,238	56.4%
Widowed	25,026	1.5%	34,401	1.4%
Divorced	198,383	11.9%	276,459	11.5%
Separated	39,330	2.4%	69,552	2.9%
Never married	710,771	42.5%	668,516	27.8%
Total	1,672,566	100.0%	2,407,166	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

Table 23 indicates that targeted workers are less likely white than comparison workers (79% compared with 85%) and more likely black (15% compared with 8%). Also, 20% of targeted workers were of Hispanic origin, compared with 11% of comparison workers (Table 24).

**Table 23. Illinois Private Sector Workers: Racial Distribution (2013)**

Race	Target*		Comparison*	
	Workers	Percent	Workers	Percent
White	1,326,370	79.3%	2,049,394	85.1%
Black	252,071	15.1%	197,920	8.2%
Native American	2,469	0.1%	19,579	0.8%
Asian	70,798	4.2%	122,150	5.1%
Multi-racial	20,860	1.2%	18,123	0.8%
Total	1,672,566	100.0%	2,407,166	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

**Table 24. Illinois Private Sector Workers: Hispanic Origin (2013)**

	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Hispanic	327,453	19.6%	266,525	11.1%
Non-Hispanic	1,345,113	80.4%	2,140,641	88.9%
Total	1,672,566	100.0%	2,407,166	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

Finally, Table 25 tabulates U.S. citizenship by country of birth. About 19% of targeted workers in Illinois were not a U.S. citizen at birth; many became a citizen through naturalization and 12% remained citizens of a foreign nation at the time of the interview. Among comparison workers, 5% are foreign nationals.

**Table 25. Illinois Private Sector Workers: Citizenship (2013)**

Citizenship	Target*		Comparison*	
	Workers	Percent	Workers	Percent
Native:				
—born in the United States	1,329,756	79.5%	2,071,164	86.0%
—born in Puerto Rico or U.S. outlying area	2,544	0.2%	3,273	0.1%
—born abroad of American parent(s)	16,733	1.0%	14,243	0.6%
Foreign born:				
—U.S. citizen by naturalization	124,311	7.4%	209,503	8.7%
—not a citizen of the United States	199,222	11.9%	108,983	4.5%
Total	1,672,566	100.0%	2,407,166	100.0%

Source: 2014 CPS-ASEC.

\*Populations: Private sector workers at firms with 25+ employees that had been in business 2+ years and did not offer a pension plan (Target) or did offer a pension plan (Comparison).

## 5. CONCLUSION

This report compares private sector workers without access to an employer-sponsored pension plan and targeted by state initiatives to their counterparts with access to a pension plan. While they reflect a diverse population, targeted workers were younger, had lower incomes, and more likely belonged to a racial or ethnic minority. One way to interpret these patterns is that targeted workers may receive a higher benefit from support to build their retirement nest egg. However, another way to characterize targeted workers is that they face weaker incentives to save for retirement because they are farther from retirement and can expect relatively more from Social Security than those with pension plans. Also, relatively many are foreign nationals and may be less likely to retire in the United States. Both the California and the Illinois initiatives allow targeted workers to opt-out of enrollment, and potential opt-out rates are outside the scope of our study. However, an understanding of opt-out rates may be important to quantify the likely impact of state-level initiatives on retirement savings.

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