Which employers sponsor defined contribution retirement plans? Evidence from linked employer-employee administrative records

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Key Definitions
- Defined contribution (DC) plans (401(k), 403(b), 457(b), etc.): Tax-preferred retirement savings vehicles sponsored by employers or unions
- Employer offers DC: if any of its workers has positive deferred earnings
- Take-up rate: share of employees with deferred earnings (when employer offers DC)

Overview
- Develop a new approach to measuring employer sponsorship of defined contribution (DC) plans using the universe of W-2 records
- Evaluate quality of new measure using plan-level measures from Form 5500 and self-reported coverage and participation from survey data

Part I: Measuring Employer DC Plan Sponsorship Using W-2 Records
- Use universe of W-2s for tax year 2012, unless stated otherwise
- Employers: identified by unique employer identification number (EIN) in W-2 records—6.2 million
- Workers: identified by unique personal identification key (PIK)—154.8 million
- Jobs: unique pairings of PIK and EIN—218.9 million

Comparing Results with Other Coverage Measures

Employers’ Sponsorship Rates (percent) in 2012 Using W-2s and National Compensation Survey (NCS)

<table>
<thead>
<tr>
<th></th>
<th>All 1 to 99 employees</th>
<th>100 or more employees</th>
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<tbody>
<tr>
<td>NCS: Private sector establishments</td>
<td>43</td>
<td>42</td>
</tr>
<tr>
<td>W-2s: All EINs</td>
<td>14</td>
<td>12</td>
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</tbody>
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W-2 measure generates lower employer sponsorship rates because of smaller firms

Part II: W-2 Records Linked to Form 5500
- Department of Labor’s Form 5500 (F5500) plan-level data for private sector retirement plans
- Only way to get defined benefit (DB) sponsorship; can assign DC plan characteristics (e.g., auto-enrollment, match rates) to individuals
- U.S. Census Bureau’s Business Register (BR) helps link W-2s to F5500s

Part III: W-2 Records Linked to Surveys
- Current Population Survey Annual Social and Economic Supplement (CPS ASEC) linked to W-2 records via unique identifiers
- Sample: Aged 25-64, wage and salary workers in private sector
- Use self-reported retirement plan coverage and participation to validate new measure

Workers’ Coverage, Overall Participation and Take-Up Rates (percent) in 2012 Using W-2s and National Compensation Survey (NCS)

Coverage Participation Take-up
NCS (2012): all workers 55 37 67
SIPP (2006) [Dushi et al. (2011)]: aged 21-64 with main job or business in 2006 57 39 68
W-2s: jobs 71 24 34
W-2s: individuals 79 32 41
W-2s: individuals with $3,770 total earnings 81 37 46

W-2 measure generates higher worker coverage rates and lower take-up rates

References

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