

State Sponsored Retirement Savings Plans: New Approaches to Boost Retirement Plan Coverage

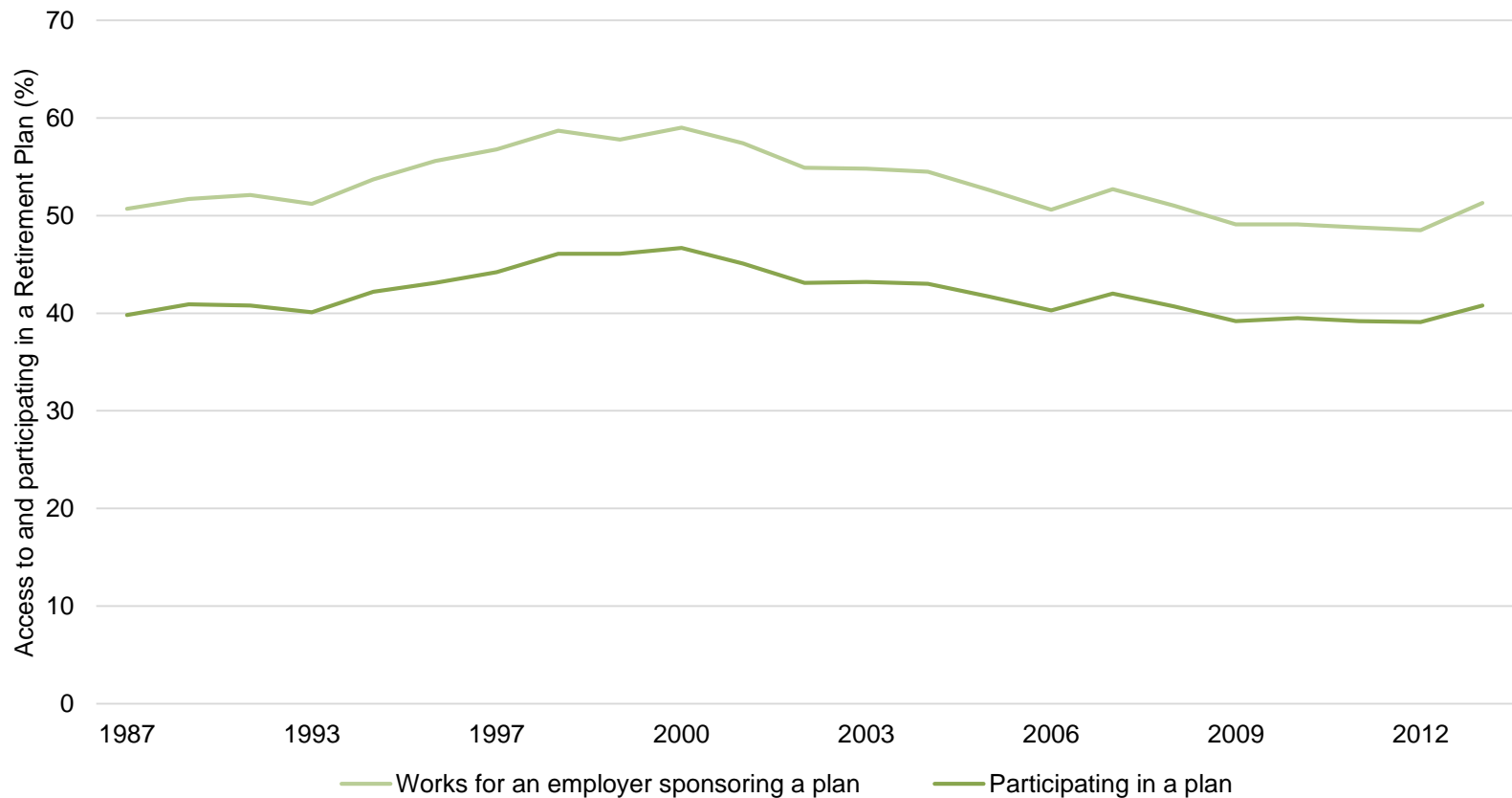
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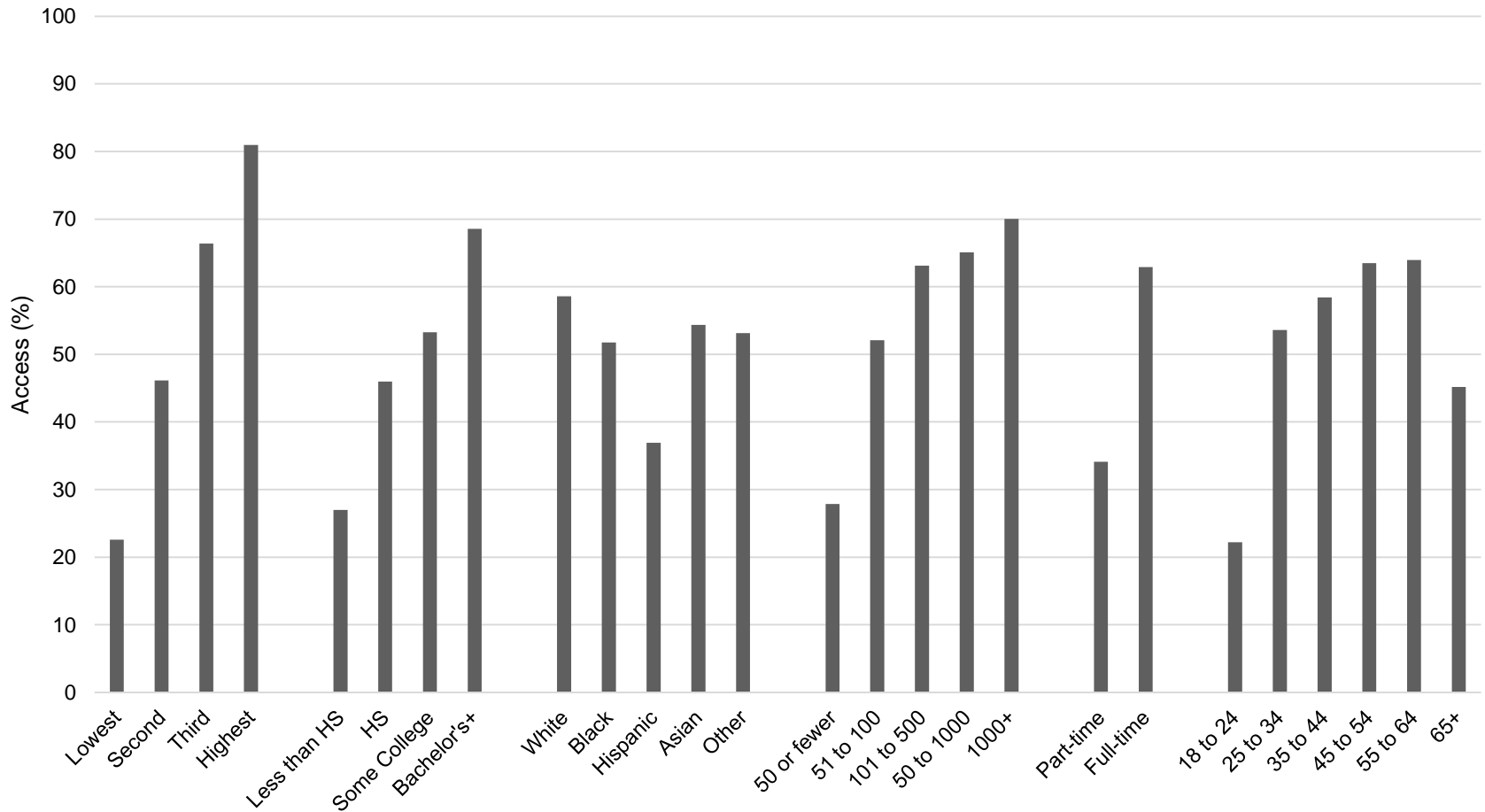
Pension Research Council Symposium,
“Saving and Retirement in an Uncertain Financial Environment”

Access and participation in employer sponsored retirement plans, 1987 to 2013 (private sector workers ages 21 to 64). Source: Copeland (2014).



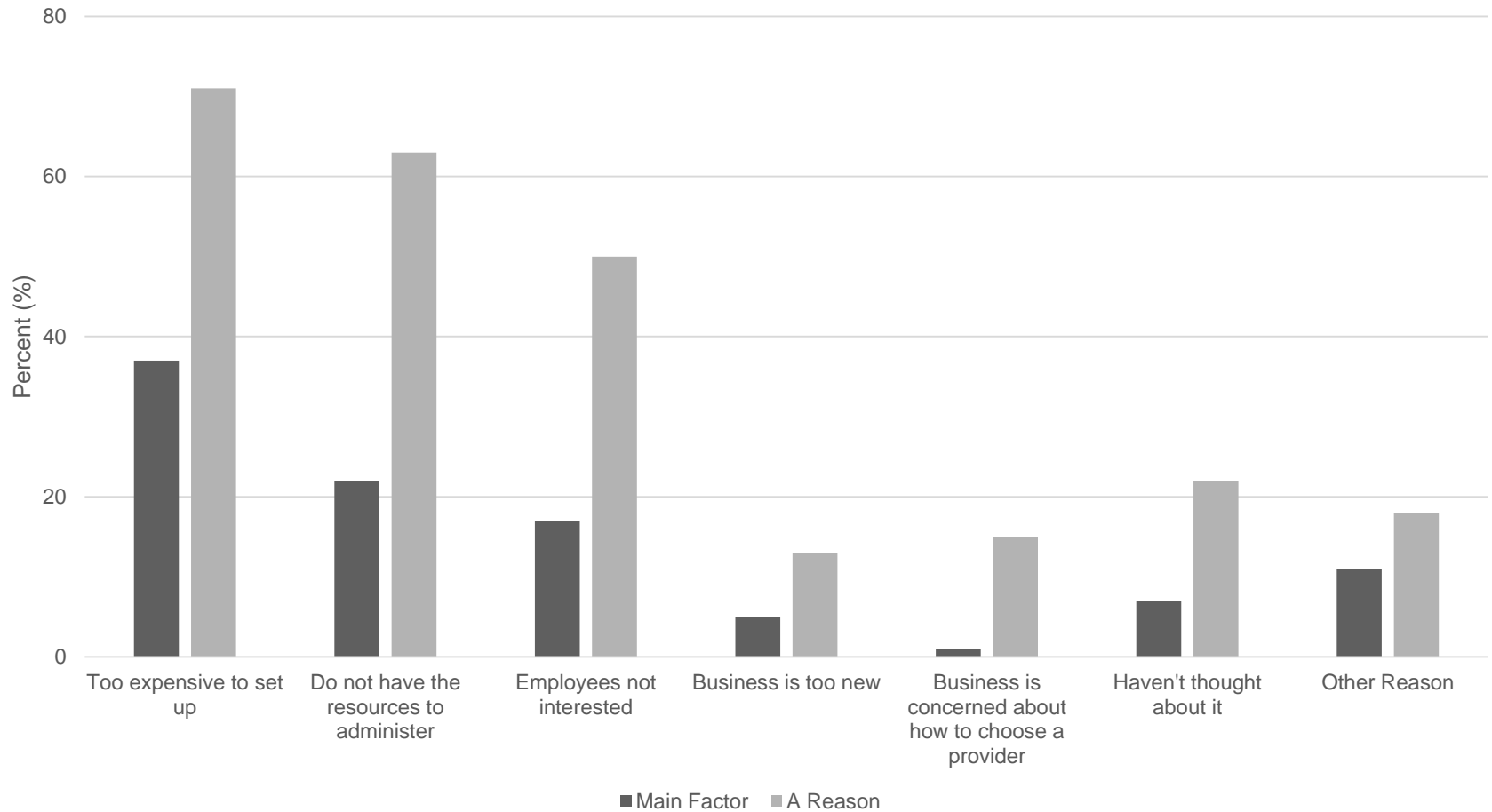
Retirement plan Access by selected demographics.

Source: GAO (2015) analysis of 2012 SIPP data.



Reasons small and medium sized businesses don't offer retirement plans.

Source: Pew Charitable Trusts (2017), Figure 1.






MORE THAN 30 STATES HAVE TAKEN ACTION SINCE 2012

cri.georgetown.edu/states/all-states/



Source: Georgetown University's Center for Retirement Initiatives

-  = legislative proposal and/or study in 2016
-  = laws enacted (2012-present)
-  = recent state efforts (2012-2015)

Covered Businesses

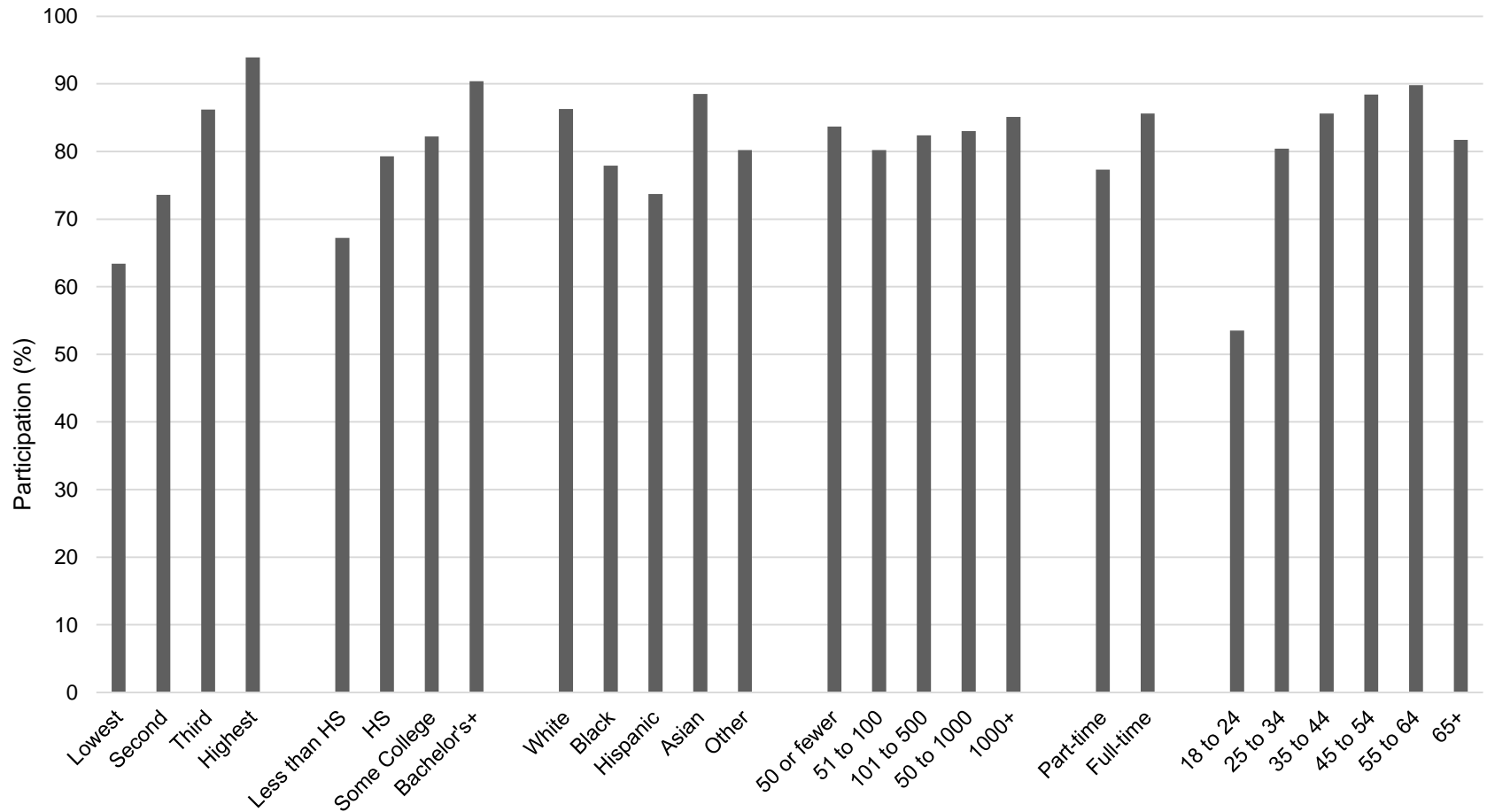
- Auto IRA: Employers with 10+ employees
- California: All employers, phased in over three years
- Connecticut: Employers with 5+ employees
- Illinois: Employers with 25+ employees
- Maryland: Employers using a payroll system or service
- Oregon: All employers

Default Contribution Amounts

- Auto IRA: 3%
- California: 3%, auto-escalated up to 8%
Board may set at between 2% and 5%
- Connecticut: 3% (was 6% initially)
- Illinois: 3%
- Maryland: Set by board (was 3%)
- Oregon: Board sets & can allow auto-escalation

Participation in a retirement plan conditional on access.

Source: GAO (2015) analysis of 2012 SIPP data.



Voluntary Does Not Work - 1

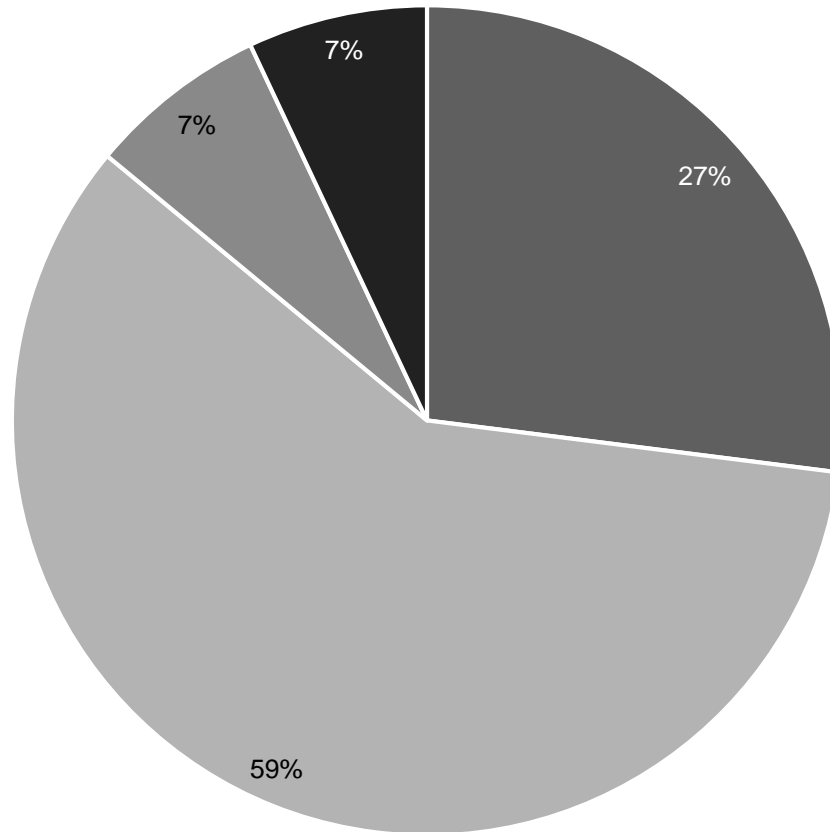
The Pew survey found that the creation of a retirement plan with reduced administrative requirements and the availability of easy-to-understand information would have almost no effect on plan offerings, with over half of those responding saying that those factors would make them no more likely to offer a plan.

Voluntary Does Not Work - 2

- Only about 20,000 people have enrolled in the nationwide MyRA program as of the end of 2016 (Lobosco 2016).

Support for an Auto IRA plan

Source: Pew Charitable Trusts (2017), Figure 3.



■ Strongly Support ■ Somewhat Support ■ Somewhat Oppose ■ Strongly Oppose

Table 3b

Nearly 90% of Employers With Plans Would Not Switch to State Auto-IRA

Yes	13%
No	87%

Table 3a

Employers Without Plans Split Between Using a New State-Sponsored Retirement Savings Program or Offering Their Own Plan

Use this new plan	49%
Start your own plan	51%

US - Auto by Age & Income

Automatic enrollment: The power of the default, Vanguard 1/15/2015

Employees hired 1/1/2010 through 12/31/2012 as of 6/30/2013

Income Level	Voluntary	Auto
Under \$30,000	22%	87%
30,000 – 49,999	41	90
50,000 – 75,000	49	93
Age		
Under 25	26%	90%
25 – 34	43	91
35 – 44	47	91

UK Participation Rates

Source: James 2017

- By employer size, 92 percent participate at the largest employers compared with 89 percent at employers with 50-99 employees and 83 percent for employers with 19 employees or less.
- 90 percent of full-time employees participate compared with an average of 82 percent for part-time workers.
- 93 percent of employees under age 30 participate, compared to 91 percent of those between 30 and 49, and only 77 percent of workers over age 50

UK Effect of Auto Enrollment

Source: Cribb and Emmerson 2016

- Controlling for other factors, automatic enrollment is responsible for a 37-percentage point increase in overall participation.
- Among younger workers, there is a 52-percentage point increase in workers age 22 to 29, and 37 percent in workers age 30 to 39.
- Low-to-moderate income workers show a 54 percentage point increase in participation in the lowest earnings quartile and 46 percentage points among those in the second quartile.

Plan Design is Important, but Secondary

- Mandatory provision and automatic enrollment are essential.
- Both work with Auto IRA, Multiple Employer Plans (MEPs), 401(k) plans, and myRA.
- BUT, a state may not require an employer to offer an ERISA plan such as a 401(k) or a MEP.
- Thus, states need to include an Auto IRA for their plan to succeed.

“Politics is the art of the possible, the attainable — the art of the next best”

– Otto von Bismarck