STATE RETIREMENT SAVINGS INITIATIVES
A Win-Win Opportunity

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Public Sector Market
In the Beginning….The Starting Point

Percentage of Private Sector Workers Whose Employers Offer a Retirement Plan

Yes 51%  No 49%

Source: U.S. Census Bureau Current Population Survey (CPS), March 2014 Supplement, using DataFerrett, the Census Bureau’s data analysis and extraction tool.
Will building a better base for retirement have other rewards?

Consider this:

- If these employees retire at age 65 with only Social Security, many will fall below eligibility limit for low-income social services
- They will be potentially eligible for various social subsidies including housing, food, transportation and Medicaid
- Of these, Medicaid is one of the fastest growing segments of a state’s budget

50% of all full-time employees are **SAVING NOTHING** for **RETIREMENT**

If a state were to implement an SCP-type retirement program and some modest number of employees availed themselves of it, what might the impact be on Medicaid expenditures?
Billions Potentially Saved on Medicaid Nationwide

15 States Could Save $100 Million each

- $100 Million+
- $76-99 Million
- $51-75 Million
- $26-50 Million
- $1-25 Million
The Secure Choice Plan

Principles of Plan Design

- Encourage retirement saving
- Flexibility, portability and preservation
- Managed by public entities
- Conservative investment options
- Limit employer role to enrollment
- Lifetime retirement income
Evolution of Secure Choice Plans…
Five Years in the Making

- **2011**
  - NCPERS Develops Secure Choice Pension Plan Model

- **2012**
  - Secure Choice Pension Plan becomes Secure Choice Plan structured as a payroll-deduction-IRA

- **2013**
  - Legislation passes in California

- **2014**
  - States of Oregon, Illinois, Connecticut, Massachusetts, California and Maryland continue moving to implementation
  - U.S. Department of Labor considers safe harbor rules for workforce based payroll-deduction plans

- **2015**
  - California and Connecticut complete feasibility reviews
  - New Jersey and Washington establish “Market Place Plans”
Evolution of Secure Choice Plans…
Five Years in the Making

- **2016**
  - Oregon starts its implementation process
  - 2016 Maryland passes enabling legislation
  - DOL issues safe-harbor rules for payroll-deduction IRA plans applicable to states and large municipalities

- **2017**
  - Illinois starts its implementation process
  - Congress overturns municipalities regulations
  - Oregon pilot goes live with 1st dollar

- **2018**
  - Seattle 1st municipal payroll IRA
  - Vermont MEP implementation process begins
  - Maryland passes enabling legislation applicable to states and large municipalities
  - DOL issues safe-harbor rules for payroll-deduction IRA plans applicable to states and large municipalities
“Secure Choice” Environmental Update
Building Blocks of Program Design

Coverage
Program coverage depends on both access and participation.

Participation
Workers may either actively or passively (i.e., via automatic enrollment) choose to participate in a program.

Access
Workers have access to a program if their employer offers it and they meet all criteria for eligibility.

Program Offered
Employer offers a retirement program available to workers through the workplace.

Eligibility
Program provisions determine whether or not an individual worker is eligible to participate.

Source: GAO analysis. GAO-15-556
Program Design Effort

- Start with the goal — increasing retirement security

- Consider the biggest hurdles
  - Awareness
  - Inertia
  - Financial feasibility
    - The long-term funding and break-even point for the program
    - Keeping program administration simple and costs reasonable
    - Walking before you run

- Focus on your core guiding principals
  - Education and marketing outreach must start at the “grass roots”
  - Simplify employer effort (initial set up and ongoing administration)
  - Maximize simplicity and minimize administrative costs
  - Use auto-features to enroll and increase contributions
  - Promote administrative efficiency by reducing variability and leveraging technology
  - Maximize the “customer” experience and the use of technology
  - Consider new solutions as by definition any program necessitates a hybrid of retail and institutional capabilities
## Roles of the Parties

### Contributing to Success

<table>
<thead>
<tr>
<th><strong>Government Sponsor</strong></th>
<th><strong>Employers &amp; Employees</strong></th>
<th><strong>Service Provider</strong></th>
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<tbody>
<tr>
<td>• Governs the Program and sets policy</td>
<td>• Employer signs up for the Program via prescribed process</td>
<td>• Delivers services, investments and educational tools that support the needs of each party</td>
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<td>• “Markets” the Program</td>
<td>• Employer facilitates employee enrollment</td>
<td>• Provides efficient and intuitive processes to support the design of the Program</td>
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<tr>
<td>• Defines and communicates:</td>
<td>• Employer deducts contributions from employee paychecks</td>
<td>• Effectively communicates with each party throughout the lifecycle of the Program</td>
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<tr>
<td>~ The benefits</td>
<td>• Employer remits data and contributions in a timely manner and reports demographic changes</td>
<td>• Ensures transparency to drive continuous improvement</td>
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<tr>
<td>~ How it works</td>
<td>• Once account is established, employees access account with the service provider</td>
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<tr>
<td>~ What is required</td>
<td>• Employees access support services through a variety of mediums</td>
<td></td>
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<tr>
<td>• Provides Program oversight to ensure compliance</td>
<td>• Educational services encourage interaction and planning for retirement</td>
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<td>• Hires recordkeeper and investment partners to best meet the needs of all parties at a reasonable cost</td>
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<td>• Handles complaints</td>
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## Success Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Potential Design Outcome</th>
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<tbody>
<tr>
<td>• Maximize simplicity and minimize administrative costs</td>
<td>• Simple design within fee parameters</td>
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<tr>
<td>• Minimize employer cost and burden</td>
<td>• Employer activities will be simple with easy-to-access service assistance</td>
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<tr>
<td>• Promote administrative efficiency by reducing variability</td>
<td>• Consistent program parameters</td>
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<tr>
<td>• Maximize “customer” experience and use of technology while minimizing</td>
<td>• Participant service includes call support and local staff</td>
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<td>low-value person to person interactions</td>
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<tr>
<td>• Maximize positive outcomes through recognition of set-up and</td>
<td>• Streamlined process adapted for all employer types</td>
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<td>implementation effort and flexibility during the service procurement</td>
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<tr>
<td>process</td>
<td></td>
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<tr>
<td>• Consider new solutions as by definition programs necessitate a hybrid</td>
<td>• Functional website(s) that promote streamlined processes</td>
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<td>of retail and institutional capabilities</td>
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Results of Getting the Conversation Started

- PEW* survey of employees re: auto-IRAs
  - About 75% would stay in the program if auto-enrolled
  - About 10% would increase contributions from the default rate

- Flexible features are a big hit
  - Keeping account even if change jobs (84%)
  - No tax penalty on withdrawal of contributions (81%)

- Feelings re: investments (73%) and state role (64%) less so, but still positive

- Other developments
  - Vendor marketplace(s) opening soon
  - MEP efforts beginning in Vermont
  - 2018 legislative activity

- Encourages action

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*PEW Charitable Trusts, 2017
Increased Retirement Income is Good for All

- Retirement income allows retirees to remain an active part of society
- This income has economic ripples that go beyond the individual and creates an impact that totals 2 to 3 times the amount of payment
- Reducing reliance on social welfare programs frees up capital for other needed public projects
- SCP-type programs can make the state tax dollar go further

State Retirement Savings Initiatives
A Win-Win Opportunity for All