Retirement Security Legislation: An Update on State Innovation and Implementation

Monday, December 11
7:30am-8:45am
Households at Risk of Insecure Retirement

National Retirement Risk Index, 1983 – 2013

Source: Center for Retirement Research, National Retirement Risk Index
Only 55 Percent of Private Sector Workers Have Access to a Retirement Plan at Work

Private sector wage and salary workers age 25-64 whose employers sponsor a retirement plan, 1979-2013

Source: NIRS, “The Continuing Retirement Savings Crisis”
Percent of Workers Without Access to a Retirement Plan by State

Source: AARP’s Public Policy Institute
Percent of Multicultural Workers Without Access to a Retirement Plan by State

Source: AARP’s Public Policy Institute
Work and Save: Innovation

- Public-Private Partnership
- Plug and Play
- Saves Taxpayer Dollars
- Cost-effective
- Self-sustaining Plan
5 essential ingredients that facilitate adequate retirement savings rates:

- Availability
- Automatic enrollment
- Ease of investment
- Automatic escalation
- Lifetime income streams
The Power of Auto-Enrollment

Participation Rates

- Not covered by an Employer Plan - Deductible IRA Only: 4.6%
- Covered by an Employer Plan: 71.5%
- Automatically Enrolled by Employer: 91.0%

A National Movement

2013 Work and Save
A National Movement

2017 Work and Save

[Map of the United States with states marked in green, indicating participation in the movement.]
Continuum of Possible Action in States

Step 1: Study the issue
How big is the retirement insecurity problem?
Does the state have a role to play?
See Vermont and Oregon

Step 2: Pass A Feasibility Study
What would the program look like?
Who Would use the program?
See California and Connecticut

Step 3: Pass Implementation Legislation

Step 4: Implement Program

Note: States can choose to skip study steps, if they feel there is consensus and they can build off existing research.
2012: **Massachusetts** passed plan for non-profits
**California** passed feasibility study

2013: **Oregon** passed study of retirement security

2014: **Minnesota** and **Connecticut** each passed a feasibility study

2015: **Illinois (D)**, **Oregon (D)** and **Washington (D)** governors sign new laws
**Utah** Senate and **Virginia** pass studies unanimously

2016: **New Jersey (R)**, **Maryland (R)**, **Connecticut (D)** and **California (D)** governors sign new laws

2017: Governor of **Vermont (R)** signs law. **Oregon** and **Massachusetts** go live.
**New Mexico** and **Arkansas** pursue studies.

2018: **California** and **Illinois** expected to go live. Dozens of states likely to consider laws.
### Various Models Discussed in States

<table>
<thead>
<tr>
<th>Studying Retirement Insecurity</th>
<th>Feasibility Study</th>
<th>Marketplace</th>
<th>Voluntary IRA</th>
<th>Auto IRA</th>
<th>Multiple Employer Plan</th>
<th>Multi-tier Approach</th>
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<td>California*</td>
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* Legislation being implemented
** Massachusetts implementing a plan for small non profits
Note - double listings are not mistakes, they reflect multiple bills under consideration
Updated June 2017
ERISA
ERISA: The Basics

- ERISA, or the Employee Retirement Income Security Act of 1974, is the federal law governing retirement plans. Regulation and enforcement of ERISA is overseen by the Department of Labor (DOL).

- ERISA protects the retirement assets of millions of Americans so that funds placed in retirement plans during their working lives will be there when they retire.

- However, ERISA also imposes fiduciary responsibilities that are increasingly complex.

Want more background? Click here.
DOL finalized regulation on State Automatic IRAs and granted a safe harbor exemption from ERISA.

Repealed by the CRA in May 2017

The rule was a clarification, and repeal does not mean that states are not exempted from ERISA. States are continuing to move forward as planned.
State Innovation in a National Context

Work & Save in a National Context

Implementing States:
- Oregon
- Maryland
- Illinois
- Vermont
- New Jersey
- Massachusetts
- Washington
- Connecticut
- California
Current Status  The Oregon Retirement Savings Board has been meeting since November 2015, and the OregonSaves program was the first in the country to go live on July 1, 2017. The official launch of the first phase of the program was in October 2017, and has been enormously successful thus far.

Funding  The program was appropriated $250,000 to be used for reimbursing other state agencies for providing outreach or technical assistance services, and $743,541 to be used for the operating expenses of the Board.
Oregon

Next Steps  The registration deadlines for larger employers are as follows:

- 100 or more employees – November 15, 2017
- 50-99 employees – May 15, 2018
- 20-49 employees – December 15, 2018
- 10-19 employees – May 15, 2019
- 5-9 employees – November 15, 2019
- 4 or fewer employees – May 15, 2020
Oregon

Find Out How OregonSaves Works
Oregon

Rose City Rollers
In Oregon, You Can Now Save for Retirement. Unless You Object.

Retiring
by ELIZABETH OLSON  NOV 17, 2017

Representatives of local businesses talk about signing up employees for Oregon’s state-sponsored retirement savings program, OregonSaves, at the Embassy Suites Hotel in Portland, Ore.

Amanda Lucier for The New York Times

New York Times, November 17, 2017
As of November 30, 2017, more than $225,000 in assets have been saved.

During outreach, most workers have heard of OregonSaves.

Current enrollment is open to businesses with 100 or more employees, of which there are 150 in Oregon.
Maryland

**Current Status** The Maryland Small Business Retirement Savings Board began meeting in November 2017, and is tasked with establishing the Maryland Small Business Retirement Savings Trust and implementing the Maryland Small Business Retirement Savings Program.

**Funding** An initial startup loan of $400,000 has been approved. The Board may borrow from the state or other entities to fund the program in its early stages, and eventually the program will generate its funding through program account fees.
Maryland

**Next Steps** The Board is currently organizing itself into an entity, and is looking to hire an Executive Director this year. Implementation of the program is still being discussed, and is expected to begin by the end of 2018 or sometime in 2019.
**Current Status** The Illinois Secure Choice Savings Board has been meeting since August 2015. The program is anticipated to begin its phase one pilot program in 2018. The Board has released certain information, including the investment principles, feasibility study, and demographic overview.

**Funding** The program was appropriated $2.1 million to assist with startup costs, to be repaid once the program is operational.

**Next Steps** A provider has been selected to run the day-to-day operations of the program, and a Program Manager has been approved. The next meeting of the Board is scheduled for September 14, 2017.
**Vermont**

**Current Status** The Green Mountain Secure Retirement Board is tasked with administering the first state-facilitated Multiple Employer Plan (MEP), which was signed into law on June 8, 2017 by Governor Phil Scott.

**Next Steps** The Public Retirement Study Committee has met to discuss outreach and communications, and will give its recommendations to the Board by January 15, 2018. A timeline for implementation shall be set by January 15, 2019.
Current Status  The New Jersey Small Business Retirement Marketplace Act was signed into law by Governor Chris Christie on January 19, 2016. Since then, there has been no implementation progress.

Funding  In addition to any funds appropriated, the Treasurer or designee shall approve private funding resources, as well as federal and private grants.

Next Steps  Incoming Governor Phil Murphy has made this part of his platform, so some movement on the issue can be expected in 2018.
Massachusetts

**Current Status** The Massachusetts Connecting Organizations to Retirement (CORE) Plan, a statewide multiple employer 401(k) retirement plan available to nonprofit organizations with twenty or fewer employees, was launched on October 12, 2017.
Current Status  The Washington Small Business Retirement Marketplace, signed into law by Governor Jay Inslee on May 18, 2015, is anticipated to launch in early 2018.

Funding  The program was appropriated $524,000 for the first two-year budget cycle, and may accept additional private funds.

Next Steps  The launch will take place in early 2018, and feedback will be pursued by the Department of Commerce.
**Connecticut**

**Current Status** The Connecticut Retirement Security Authority has been meeting monthly since August 2017, and is tasked with implementing the retirement savings program.

**Funding** The Authority may borrow funds for the start-up and operation of the program, and they are payable solely from Authority revenues.

**Next Steps** The Authority will continue meeting to discuss implementation of the retirement savings program.
What to Expect in 2018

- More than half of the country is working on Work and Save
- New Jersey Governor has made the issue part of his platform
- New Mexico and Arkansas are continuing with commissions to study Work and Save legislation
- South Carolina is conducting a study focused on Multiple Employer Plans (MEPs)
- Focus on implementation in Oregon and other states
Understanding Public Pensions: A Guide for Elected Officials
Public Pension Guide

Retirement Plan Objectives

- Attract and Retain Employees
- Enable Workers to Retire in Orderly Way
- Provide Retirement Security
- Keep Costs Manageable
<table>
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<tr>
<th>Question</th>
<th>Description</th>
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<tr>
<td><strong>Taking Stock of Good Pension Practices and Policies</strong></td>
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<td>Has the plan been historically well financed because the government has</td>
<td>Gather facts and review the pension funding policy, employee and employer</td>
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<td>been making its pension payment in full each year and/or have new</td>
<td>contribution history, changes for new employees, and current and trend data</td>
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<td>financing mechanisms been put into place?</td>
<td>on the funded status of plans.</td>
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<td>**Is the plan design meeting the human resource, financing, and</td>
<td>Examine elements such as benefit levels, vesting, and the minimum age and</td>
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<td>retirement security needs of stakeholders?</td>
<td>service required to receive a retirement benefit.</td>
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<td>**If there are cost concerns, are they from past liabilities or new</td>
<td>Verify whether the costs of the plan are primarily due to past unfunded</td>
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<td>pension benefits?**</td>
<td>liabilities, which cannot be erased, or to ongoing benefit accruals.</td>
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<td><strong>Are the plan’s assumptions in line with its experience?</strong></td>
<td>Determine if assumptions (e.g., long-term investment returns and plan</td>
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<td>demographics) are regularly reviewed to ensure they accurately reflect the</td>
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<td>plan’s experience and any needed adjustments can be made in a timely way.</td>
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<td><strong>Are benefit improvements fully funded?</strong></td>
<td>Ensure that any increases in benefit levels or cost-of-living adjustments</td>
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<td>do not increase the plan’s unfunded liabilities.</td>
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<td><strong>Are there legal and cost implications to pension modifications?</strong></td>
<td>Research whether legal restrictions may bar certain plan changes and whether</td>
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<td>they may increase plan costs or have unintended consequences.</td>
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<td>**Are there inequities that create hidden costs and undermine public</td>
<td>Eliminate any practices that could allow a few individuals or employers to</td>
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<td>trust?**</td>
<td>undermine the funding of the system.</td>
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### Takeaways

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<th>Key retirement plan objectives include attracting and retaining employees, workforce management, retirement security, and keeping costs manageable.</th>
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<td>To balance objectives, consider a retirement plan that includes the core features of mandatory participation, cost sharing, pooling of contributions, professional asset management, targeted income replacement, and lifetime benefit payouts.</td>
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<td>Before making any changes to your retirement plan, be mindful of your overall goals, the effect of various proposals on the workforce and the employees, and resulting financial impacts.</td>
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<td>Successful retirement plan changes follow a deliberative and informed process, engage employees and other stakeholders, keep the government competitive in recruiting and retaining employees, and rely on high quality data.</td>
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<td>From 2009 to 2015, nearly every state made changes to its pension plans, yet most retained a traditional defined benefit pension plan with some modifications.</td>
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<td>If your pension plan is underfunded, you can’t change the past, but you can change the future direction by making the full employer contribution going forward and by realigning contribution and/or benefit levels.</td>
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<td>Retirement plan funding and solutions must be tailored to the individual needs and the circumstances of participating employers and workers.</td>
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<td>Communicate! Give employees and the public clear information about pension finances and the plan to fund them.</td>
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Ace Your Retirement

GET ON TRACK WITH TIPS AT
AceYourRetirement.org
In an AARP survey of 1,500 middle-income workers ages 40 to 59:

- 76% have accomplished significant financial goals such as buying a home
- More than 70% have paid off mortgages, student loans or credit card balances
- 67% have saved for a family vacation

However:

- Only 48% say they’ve saved enough to live comfortably through retirement
- Nearly 30% say they forgo essentially free money by failing to get the full employer match in company-sponsored retirement plans
- Nearly 25% aren’t using recommended savings tactics such as setting aside automatic paycheck deductions
The Ace Your Retirement initiative:
- provides free retirement planning resources and interactive tools aimed at energizing and empowering you to maximize your retirement goals at AceYourRetirement.org
- features a digital retirement coach named Avo, a chatbot that will ask the user questions about their lives, savings goals and retirement plans; Avo then provides personalized action items, including steps the user can take now to save for the future
Ace Your Retirement

Hi, I'm Avo™, your friendly digital retirement coach. Ready to get started?

OK, let's do this! These questions will help me pinpoint your Top 3 Retirement Action Items — it should take about 3 minutes, and your answers are just between us.

Let's start with an easy one — would you mind sharing your age?

Here are the 3 high-priority tasks you can start working on now to jump start your retirement planning.

**Action Item #1:** Outmatch Your Match

**Action Item #2:** Get Paid to Wait

**Action Item #3:** Picture Yourself Post-Retirement

MORE ACTION ITEMS
To view additional campaign assets (tv, radio, print and out-of-home), visit http://aceyourretirement.adcouncilkit.org/
Questions?
Gerri Madrid-Davis
Director
State Financial Security & Consumer Affairs
AARP
202-434-3797
gmadrid@aarp.org

Additional Resources:
AARP’s Public Policy Institute State Retirement Savings Resource Center
http://www.aarp.org/ppi/state-retirement-plans/