



GEORGETOWN UNIVERSITY
 McCourt School of Public Policy
 Center for Retirement Initiatives

FAST FACT SHEET #7

What Are Some Lessons Learned From Other Countries?

Source: [U.S. GAO, Retirement Security: Federal Action Could Help State Efforts to Expand Private Sector Coverage \(GAO-15-556\), September 2015](#)

WORKPLACE ACCESS

Canada: Quebec requires employers with five or more workers to offer a Voluntary Retirement Savings Plan in the case one is not already provided, serving to complement the existing industry by addressing the needs of middle income workers whose savings are inadequate for retirement (p. 29).

U.K.: The government created the National Employment Savings Trust (NEST) to provide employers with a reasonable option to meet the mandatory requirement for all employers to provide workers access to savings plans (p. 29).

AUTOMATIC ENROLLMENT

New Zealand: According to the former Retirement Commissioner in New Zealand, automatic enrollment has been essential to the success of their KiwiSaver program and without it, they would need a massive education campaign (p. 31). Automatic enrollment is critical because too many people—even those who want to save—will not actively seek out participation (p. 32). Furthermore, in the KiwiSaver, opt-outs are further reduced because three years after employers automatically enrolled workers, they are required to re-enroll those who opted out (p. 32).

U.K.: Since the government began to roll out reforms requiring private sector employers to automatically enroll eligible workers, allowing workers to contribute to individual accounts and receive employer contributions and tax preferences in October 2012, more than 5 million workers were automatically enrolled by the end of 2014, with only 12 percent opting out (p. 25).

MATCHING CONTRIBUTIONS AND OTHER FINANCIAL INCENTIVES

New Zealand: New Zealand's KiwiSaver used a one-time "kick-start" contribution of \$1,000 New Zealand Dollars (NZD), about \$650 U.S. dollars (USD), as well as matching employer contributions and tax benefits to encourage participation. The kick-start has been very popular and effective because it is so easy to understand by participants, while the tax incentive is less well understood (p. 33).

U.K.: The automatic enrollment requirement includes matching contributions from the employer and government—employers are currently required to contribute 1 percent for a specified range of earnings, which will gradually increase to 3 percent in 2018, while the government contribution will increase from 0.2 percent to 1 percent. Matching contributions are very important for low-income workers who can only afford a modest contribution rate (page 33).

SIMPLIFYING ADMINISTRATION AND INVESTMENT MANAGEMENT

U.K.: NEST stakeholders said the existence of a low-cost program with a universal public service obligation to accept any employer (and any qualifying worker) who wishes to use it reduces the burden on small employers who might otherwise expend considerable time and effort in identifying a provider willing to serve them at an acceptable cost. NEST's governing board selects and monitors providers, takes on fiduciary liability for management of the program's investments, and does not charge employers to set up and use NEST. It is also responsible for sending out welcome packages to new participants with information on how to access the website and create accounts (p. 36).

DEFAULT CONTRIBUTION RATE

New Zealand: In New Zealand, KiwiSaver's default contribution rate has changed several times and is currently set at 3 percent. It was initially set at 4 percent, but then was reduced to 2 percent, because some workers viewed the higher rate as unaffordable. Most workers have remained at the default rate, which some stakeholders say may not be sufficient enough (p. 37).

U.K.: The U.K. is phasing in an increase in the contribution rate for workers from 0.8 percent to 4 percent by 2018 (p. 37).

INVESTMENT RETURN GUARANTEE

New Zealand: The KiwiSaver default investment fund is conservatively invested to avoid capital loss. Due to inertia, some workers may remain in the conservative fund even when it is more suitable for them to invest in options that provide the opportunity for higher risk and returns (p. 37).

U.K.: The NEST default investment option is more conservatively invested during the initial period to avoid capital loss to normalize the habit of savings before introducing risk (p. 37).

LIMIT ON FEES

U.K.: In addition to competitive pressure from NEST to lower fees, U.K. officials said the government decided to set a fee limit of 75 basis points for employer programs (p.38). The National Employment Savings Trust (NEST) uses a low-cost target date default fund and limits the number of additional investment options to five with varying levels of risk. The NEST's approach has been credited with dramatically driving down fees (p. 37).

PORTABILITY

Programs in Canada, New Zealand, and the U.K., to varying extents, allow workers to maintain the same account when they change jobs (p. 37).

New Zealand: Workers are only allowed to have one KiwiSaver account, which can be maintained when changing jobs. The centralized role of Inland Revenue, the country's tax office, in processing payroll deductions facilitates portability (p. 37).