

State Efforts to Expand Coverage in Retirement Savings Programs

**U.S. Government Accountability Office
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Efforts to Expand Coverage: Objectives

This report examines:

1. Recent estimates of workplace retirement savings program coverage, including eligibility and participation, and characteristics of workers who lack coverage;
2. Strategies used by states and other countries to expand coverage among private sector workers; and
3. Potential challenges states could face given existing federal law and regulations.

Efforts to Expand Coverage: Methodology

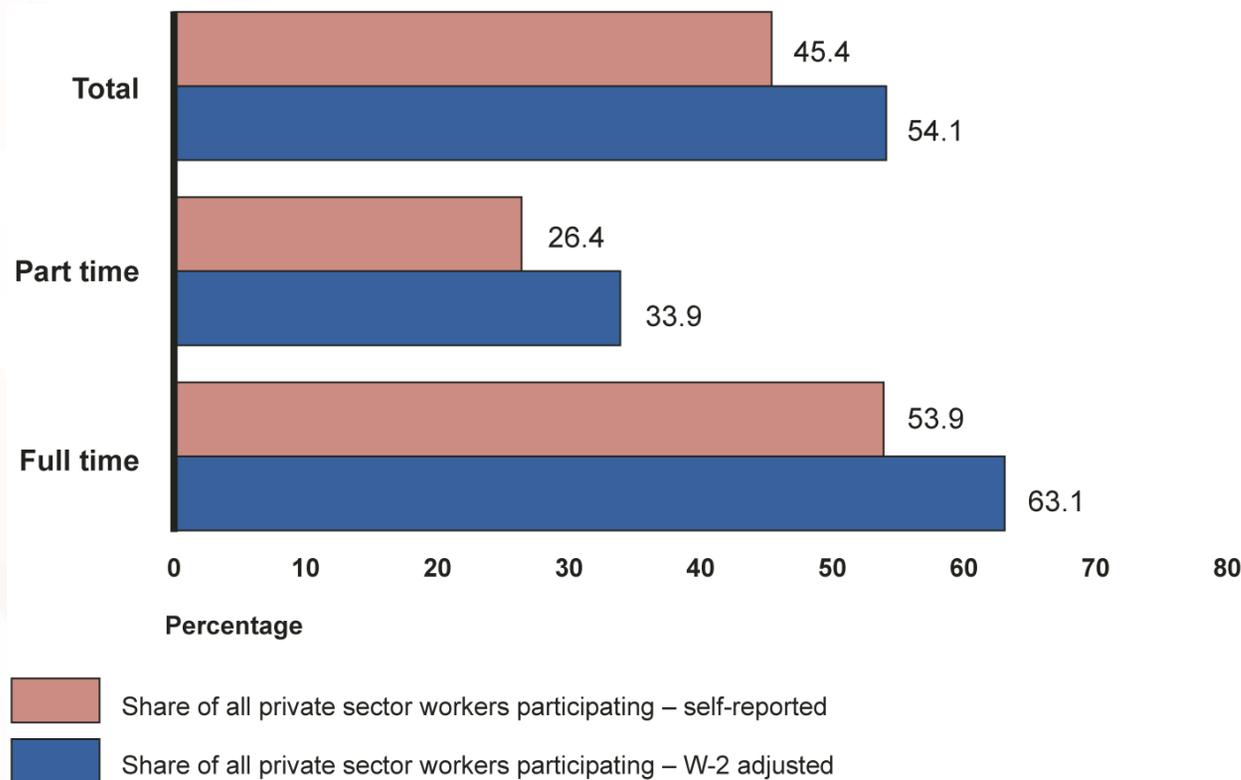
- Analysis of Survey of Income and Program Participation (SIPP) data linked to taxpayer records
- Case studies of 6 selected states—CA, IL, MD, MA, WA, and WV
- Review of similar efforts in Canada, New Zealand, and U.K. (along with a targeted review of the Australian Small Business Superannuation Clearing House)
- Interviews with a wide range of stakeholders and government officials
- Review of relevant laws, regulations, and other documentation

Efforts to Expand Coverage: Summary of Key Findings

- About half of private sector workers did not participate in a workplace retirement savings program in 2012, primarily because they lacked access.
- Key strategies to expand private sector coverage include encouraging or requiring workplace access, automatic enrollment, financial incentives, and program simplification.
- Potential challenges with uncertainty created by the Employee Retirement Income Security Act of 1974 (ERISA) and agency regulations could delay or deter state efforts to expand coverage.

Self-reported and Tax Data Both Indicate Many Workers Lack Coverage

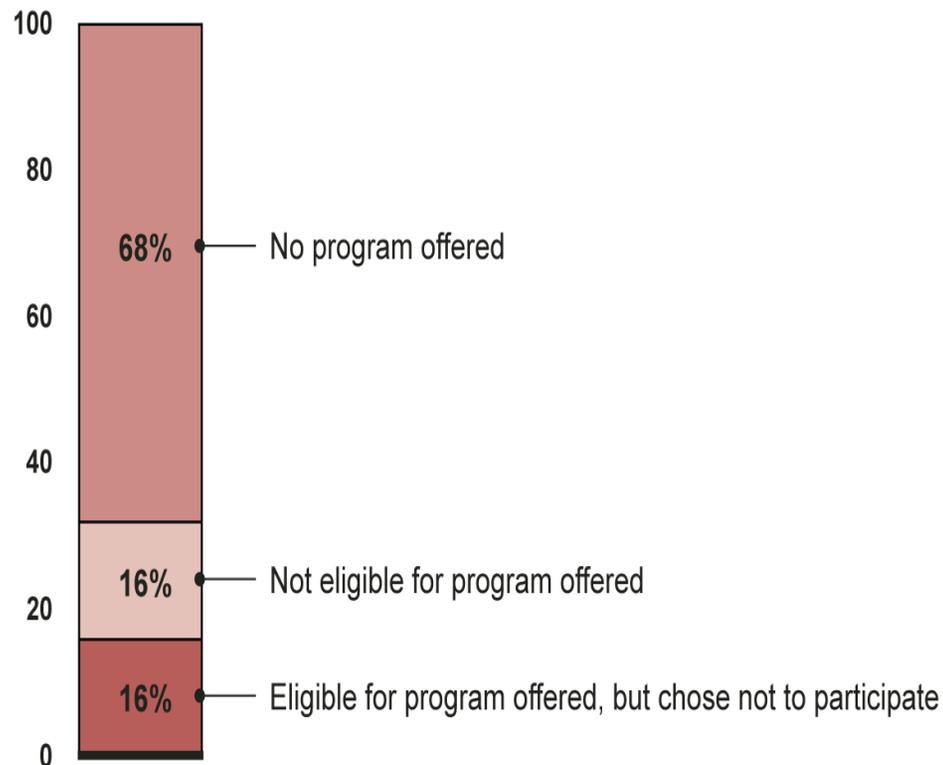
- **Figure 1: Share of Private Sector Workers Participating in a Workplace Retirement Savings Program, 2012**



Source: GAO analysis of 2012 data from the Survey of Income and Program Participation and the U.S. Census Bureau. | GAO-15-556

Majority of Workers Without Coverage Lack Access

- Figure 2: Percentages of Private Sector Workers Not Participating in a Workplace Retirement Savings Program by Reason Given, 2012**



Source: GAO analysis of 2012 data from the Survey of Income and Program Participation. | GAO-15-556

Lower Income Workers Are Much Less Likely to Have Coverage

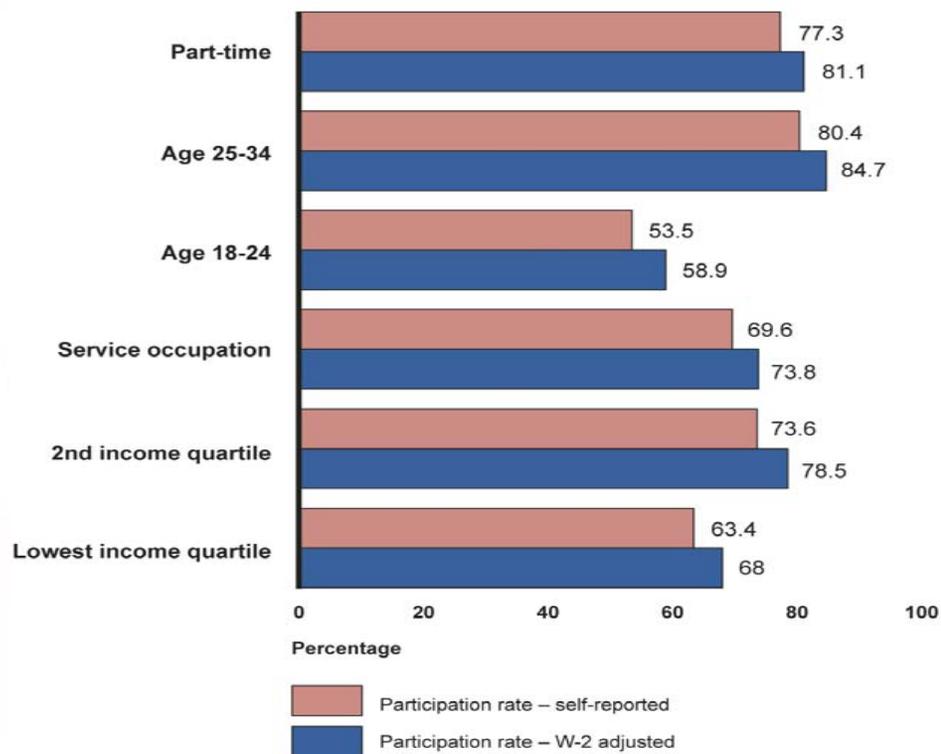
- Figure 3: Effect of Income on Likelihood of Workplace Retirement Savings Program Coverage after Controlling for Other Factors



Source: GAO analysis of 2012 data from the Survey of Income and Program Participation. | GAO-15-556

Given Access, Most Workers Participate

- Figure 5: Participation Rate in Workplace Retirement Savings Programs among Eligible Workers by Various Characteristics, 2012

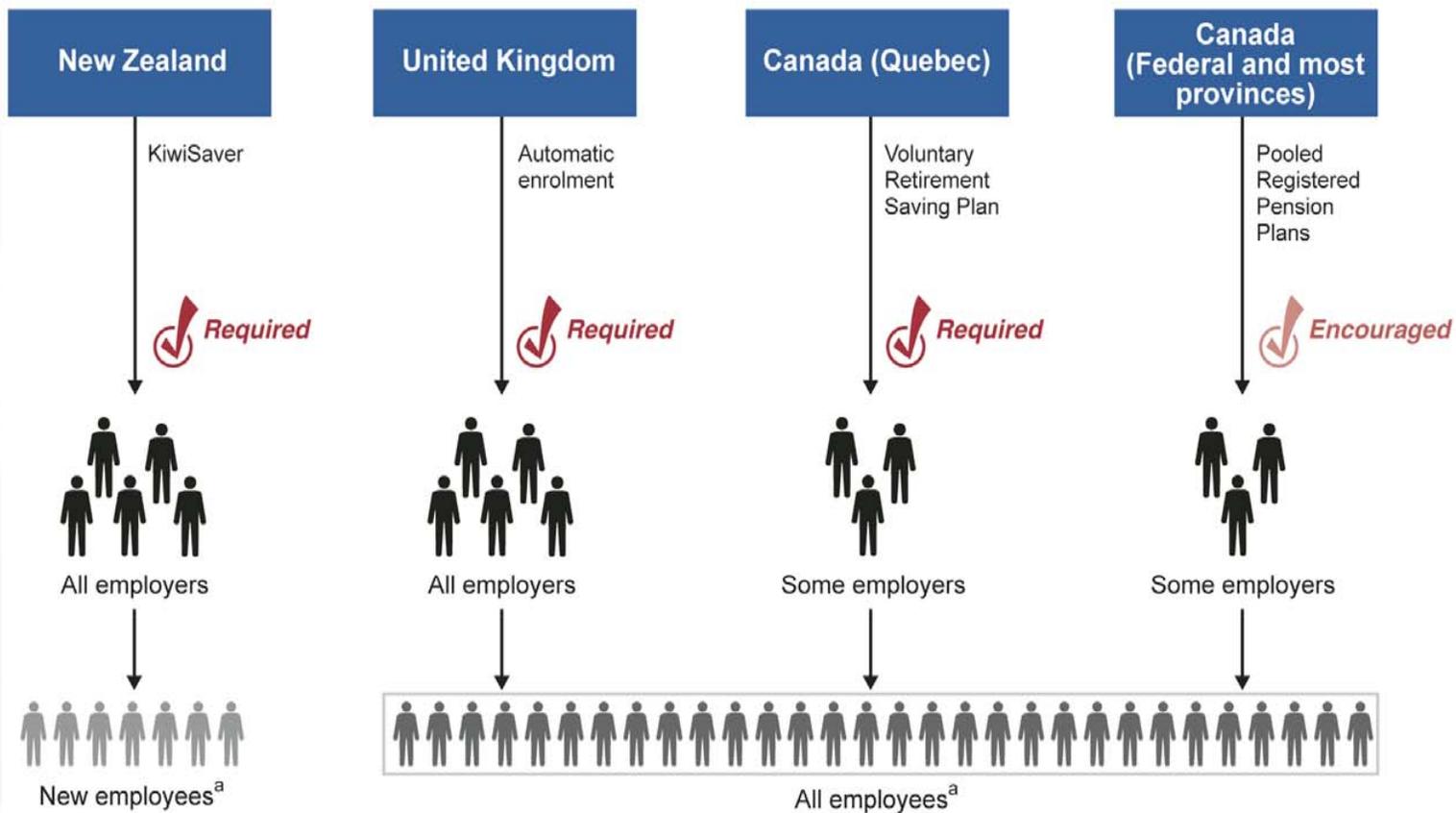


Source: GAO analysis of 2012 data from the Survey of Income and Program Participation and the U.S. Census Bureau. | GAO-15-556

Key Strategies Used to Expand Coverage

- Workplace access and automatic enrollment:
 - State efforts would require or allow employers to automatically enroll workers in a workplace retirement savings program to increase participation
- Financial incentives:
 - All six states plan to use tax-advantaged vehicles, but generally not other forms of financial incentives
 - Roth IRAs

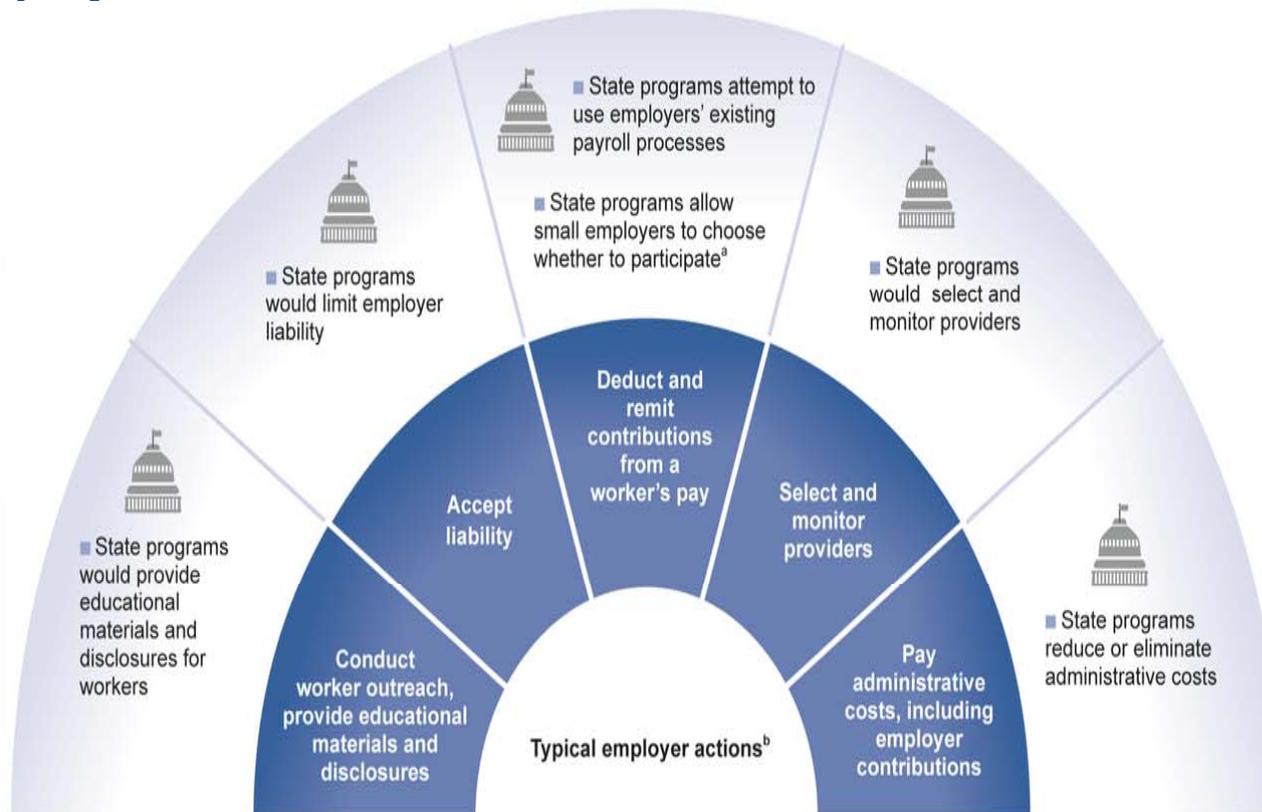
International Case Studies:



Source: GAO summary of documentation and testimonial evidence from knowledgeable international representatives. | GAO-15-556

Key Strategy: Program Simplification

Actions Case Study States Intend to Take to Reduce Administrative Burden and Cost for *Employers*

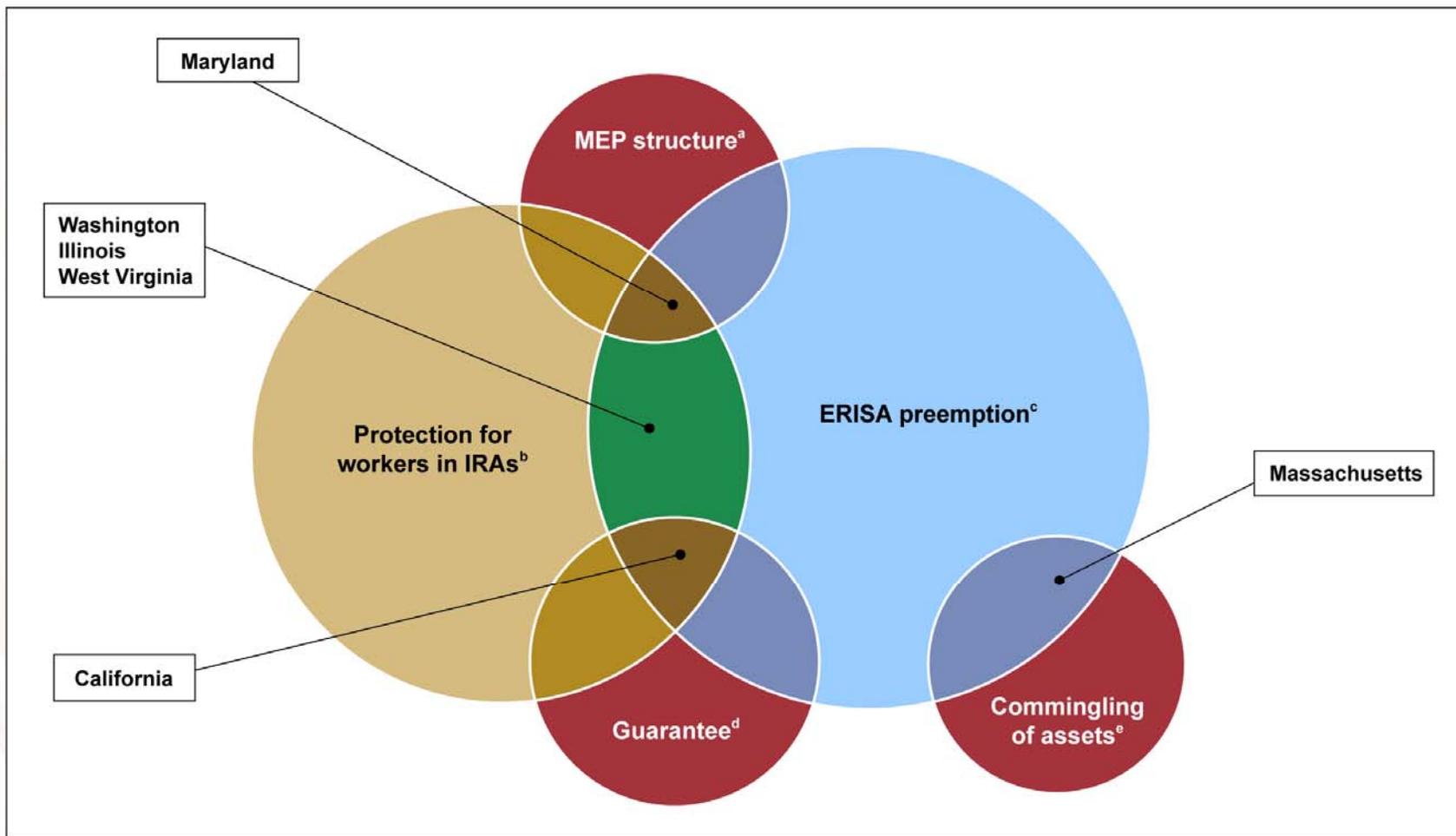


Source: GAO analysis of state legislative records, documentation, and testimonial evidence from knowledgeable industry representatives. | GAO-15-556

Key Strategy: Program Simplification

- States and other countries address issues of complexity, cost, and investment risk for *workers* through a variety of approaches:
 - Default contribution rate
 - Structure of investment options
 - Investment return guarantee
 - Portability
 - Limit on fees

Potential Challenges to Implementation of State Programs



Source: GAO summary of interviews with state and national stakeholders and government officials. | GAO-15-556

Congressional Consideration and Recommended Agency Action

- To address the legal uncertainty and facilitate state efforts to expand coverage in workplace retirement savings programs, GAO recommends:
 - Congress consider providing states limited flexibility to pursue efforts to increase coverage (e.g., safe harbor or pilot program).
 - DOL and Treasury review and revise existing regulations and guidance causing uncertainty for state efforts (e.g., Interpretive Bulletin 99-1).

Thank you!

Questions?

Read more at www.gao.gov

RETIREMENT SECURITY: Federal Action Could Help State Efforts to Expand Private Sector Coverage, GAO 15-556 Sept. 10, 2015

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