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Achieving Economies of Scale in State-Facilitated Retirement Savings Programs

The Case for Multi-State Collaboration

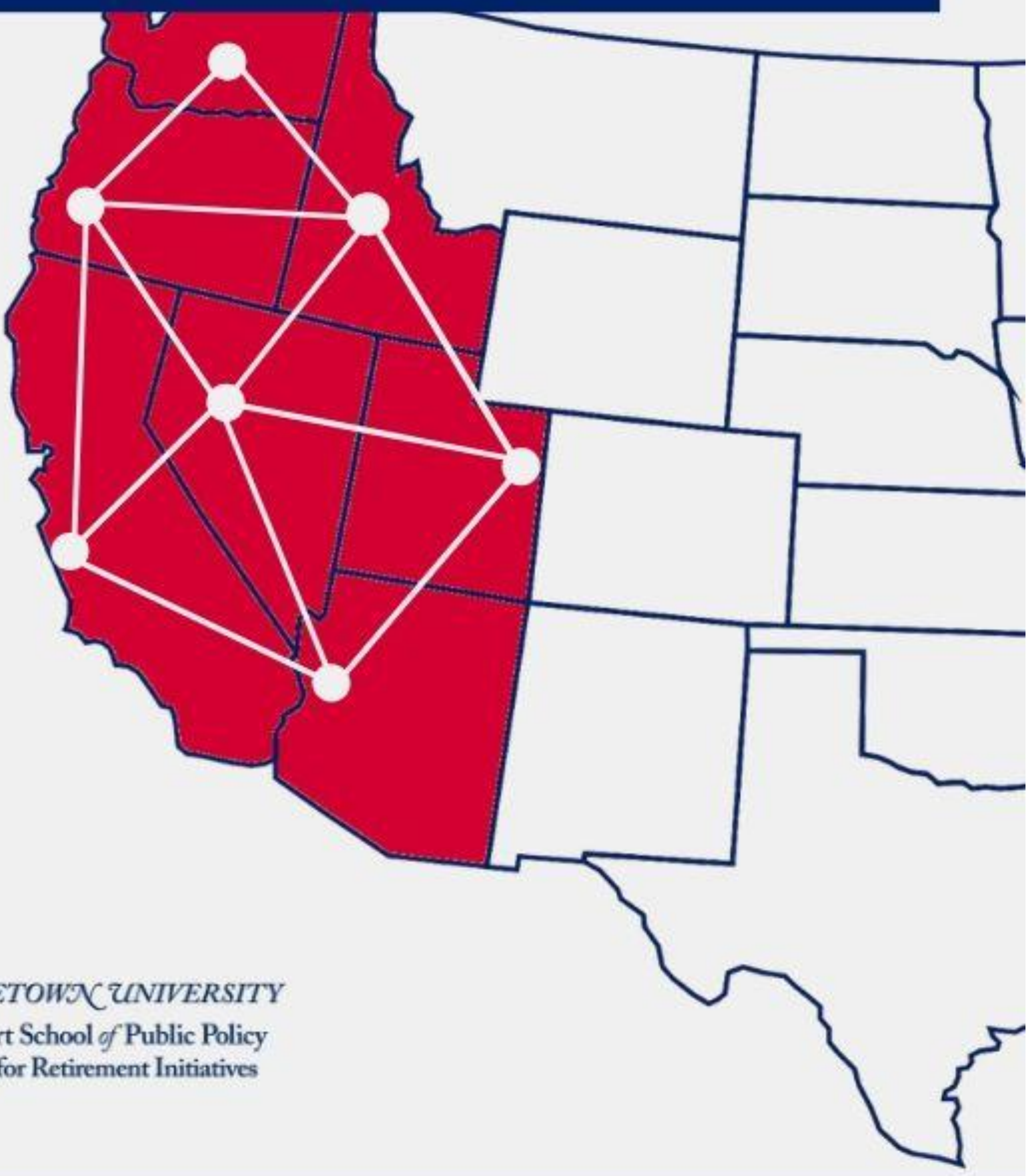

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Table of Contents

Executive Summary

Over the last several years, most states have been actively engaged in exploring ways to enable more private-sector workers to save for retirement. In addition to understanding the need to enhance retirement security by expanding coverage, they recognize that the failure to do this would expose state governments to increased budget pressure, because increasing numbers of retirees with insufficient savings need additional social services.

> "A regional or multi-state approach is not essential, but it is an option that should be considered…multi-state arrangements offer opportunities for possible economies of scale…this could enable smaller-population states to offer better services to their citizens at a lower cost."

The proportion of U.S. private-sector workers with access to employer-sponsored payroll deduction retirement savings plans or pensions has remained stagnant for several decades. In 1987, about 51 percent of private-sector workers ages 21 to 64 had access to a retirement savings or pension plan through their employers. The share of the workforce covered by such plans rose to 59 percent by 2000, but then gradually fell back to 51 percent as of 2013.[1]

To date, states have considered creating individual retirement savings programs that would only serve their own citizens. However, states should explore other models — ones based on a multi-state or regional approach that would enable participating states to provide better services to their citizens. While individual state retirement programs may allow a state to meet its own special needs and circumstances, multi-state arrangements offer opportunities for possible economies of scale by spreading both startup and ongoing costs over wider populations. This could enable smaller-population states to offer better services to their citizens at a lower cost.

Section 529 College Savings Programs and ABLE Accounts: Existing Multi-State Savings Programs

Both the Section 529 college savings accounts and Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act programs provide models for how states could develop multi-state or regional retirement savings programs. For example, most 529 plans are open to residents of other states. Only a handful of states still restrict their college savings plans to their state residents, but even in those states, their residents are not restricted from enrolling in plans of other states. While the earliest 529 college savings plans tended to be run entirely by appointed state entities, most of today's plans have engaged private sector turnkey program managers that provide all necessary services under one comprehensive management agreement. These include investment management, customer service, legal compliance, recordkeeping and administration, marketing and outreach, and distribution. These program managers

[1]Craig Copeland (2014), "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013," Employee Benefit Research Institute (EBRI), Issue Brief 405, p. 27, Washington, DC.

often run the Section 529 programs in more than one state, which allows them to spread some operational costs among more participants.

The ABLE Act, which gave eligible individuals with disabilities the ability to establish tax-advantaged savings accounts, provides even better examples of multi-state savings programs. A provision in that law explicitly allows states to manage ABLE accounts in more than one state, and several of these arrangements exist. The largest is a consortium, managed by Illinois, of 16 states joined together to offer what is essentially the same program, managed by the same firm and offering the same investment choices. Each state can customize the program to meet its individual needs, but use the same basic platform. The consortium allowed them to reduce costs to well below what a similar program would have cost if each state had individually set it up.

Another 11 states have adopted Ohio's program to establish ABLE accounts. Unlike the consortium, which allows for variations, each state in this case is using the same program. Because it is serving a larger population of savers, administrative costs are lower.

Finally, Oregon has its own program, but consults with other states about how to open and manage their ABLE programs while also offering them the ability to use the same program managers at a reduced cost.

All of these models could be used for retirement savings programs as well.

Strength in Numbers: Options for Multi-State Collaboration to Promote Retirement Security

While any state can choose to create its own program limited to its own residents, a regional or other multi-state approach has the potential to achieve the economies of scale necessary to minimize costs while significantly expanding access to retirement savings options.

There are three general models for regional retirement savings plans:

1) **An established state plan contracts with another state to structure and administer the program for both states**. This would be similar to the Ohio ABLE arrangement in that one state would adopt another state's retirement savings program. The originating program would manage both states' programs jointly.

2) **An interstate alliance or consortium jointly structures and administers a program for the states in the alliance**. States could band together and use a master agreement to build a single system that they would all use, creating a true regional or multi-state program. As noted above, several states are currently using this type of arrangement to implement ABLE accounts and allow for some variations in services or investment choices.

3) **A state opens its program to individual savers and employers from other states, and allows them to join its platform.** A state that has a retirement savings program could follow the pattern of many Section 529 college savings programs and allow participation by out-of-state individuals or by employers that do not already sponsor plans of their own. This arrangement could be especially useful for companies that have employees in more than one state. To work, the other states in which the employees are located would have to accept this arrangement as meeting whatever coverage requirements they have established.

While the first two models appear to have the most promise for general use, any of the three could meet the specific needs of a state, depending on which type of savings platform is preferred.

There is no wrong answer for any state. No matter which model a state chooses and whether it decides to create its own plan or join a multi-state plan, a decision to offer any state-facilitated program will improve the retirement security of its citizens.

A regional or multi-state approach is not essential, but it is an option that should be considered. Any state can establish its own, standalone state-facilitated retirement savings program. However, multi-state collaboration could have important advantages. By joining together, states have the potential to offer better services and reduce the cost of building or supporting a retirement savings platform. A multi-state approach of one kind or another can make the process easier and more cost-effective — and can accelerate the date when a program can become self-sustaining and fees can be reduced. This is true regardless of which type of state savings program the states adopt or which method they use to collaborate.

I. Introduction

Over the last several years, most states have been actively engaged in exploring ways to enable more private sector workers to save for retirement. In addition to understanding the need to enhance retirement security by expanding coverage, they recognize that the failure to do so would expose state governments to increased budget pressure, because a growing number of retirees with insufficient savings will need additional social services.

To date, states have considered creating payroll deduction individual retirement savings programs offered through employers that would serve their own citizens. However, other models — ones based on a multi-state or regional approach that would enable participating states to provide better services to their citizens — should be explored. While individual state retirement programs may allow a state to meet its own special needs and circumstances, multi-state arrangements offer opportunities for possible economies of scale by spreading both startup and ongoing costs over a wider population. This could enable smaller-population states to offer better services to their citizens at a lower cost while also allowing such programs to be established more quickly.

This paper reviews the experience of two state-sponsored savings programs — college 529 savings programs and ABLE programs — that could serve as examples for those interested in such arrangements for retirement savings. It then discusses several models policymakers could consider in establishing such arrangements. For purposes of this paper, we use the terms ”multi-state” and “regional” to refer to any of several options for how such collaboration can take shape. States need not be contiguous to form interstate arrangements.

This is a concept paper rather than a comprehensive discussion of all the legal, operational, and other considerations necessary for creating such multi-state arrangements or regional retirement savings arrangements. We anticipate an in-depth exploration of these aspects as the subject of a future paper. This discussion of multi-state collaboration also does not apply to, and is not intended to address, retirement plans for state and local government employees. That is a separate topic entirely.

This paper is intended to further a discussion about alternatives states can use to achieve greater efficiencies of scale in building retirement savings programs for private sector workers. We hope that it will spark additional interest and further research into innovative ways to help more Americans build retirement security.

II. Lack of Access Remains a Challenge for Private Sector Workers

The proportion of U.S. private sector workers with access to employer-sponsored payroll deduction retirement savings plans or pensions has remained stagnant for several decades. In 1987, about 51 percent of private sector workers ages 21 to 64 had access to a retirement savings or pension plan through their employers. The share of the workforce covered by plans rose to 59 percent by 2000, but then gradually fell back to 51 percent as of 2013.[2] Workers without such a plan could, in theory, use an

[2]Craig Copeland (2014), “Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013,” Employee Benefit Research Institute (EBRI), Issue Brief 405, p. 27, Washington, DC.

individual retirement account (IRA) to save, but few actually do. For instance, only about one worker in 20 with earnings of $30,000 to $50,000 a year and no access to a payroll deduction plan contributes to an IRA consistently.[3]

About 55 million U.S. wage and salary workers between the ages of 18 and 64 lack access to an employer-related payroll deduction plan.[4] Access to a retirement plan varies by workers' demographic characteristics and firm size. Coverage rates as of 2012[5] were greater for higher-paid employees, with 23 percent coverage in the lowest quartile compared to 81 percent in the highest quartile. They are also higher for the better-educated. Only 27 percent of workers with less than a high school degree are covered, compared to 69 percent of those with a bachelor's degree or more education. Interestingly, coverage is fairly constant with respect to age after workers reach age 25: Coverage rates vary from 54 to 64 percent for workers between the ages of 25 to 64.

"Only about one worker in 20 with earnings of $30,000 to $50,000 a year and no access to a payroll deduction plan contributes to an IRA consistently."

As expected, coverage is higher for full-time than for part-time workers, and rises with firm size. Among firms with 50 or fewer workers, only 28 percent of workers have access to a retirement savings plan. Among firms with 1,000+ employees, 70 percent have access to a plan.

Members of minority groups are more likely to work for an employer without a pension or retirement savings plan;[6] 62 percent of Hispanics, 44 percent of African Americans, and 45 percent of Asian Americans do not have access to an employer-sponsored retirement plan.[7]

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[3]Employee Benefit Research Institute (2006), Unpublished estimates of the 2004 Survey of Income and Program Participation Wave 7 Topical Module.

[4]David John and Gary Koenig (2014), "Workplace Retirement Plans Will Help Workers Build Economic Security," AARP Public Policy Institute, Fact Sheet 317, p. 2, Washington, DC. https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf.This number is based on data from the Current Population Survey. However, the survey was redesigned after 2013, and the accuracy of its later results has been questioned. For this reason, we do not include data from after 2013.

[5]Participation and coverage information presented in this section is adapted from analysis of data from the Census Bureau's Survey of Income and Program Participation (SIPP) by the U.S. Government Accountability Office (2015b), "Retirement Security: Federal Action Could Help State Efforts to Expand Private Sector Coverage (GAO 15-556)," Washington, DC. https://www.gao.gov/assets/680/672419.pdf. We define retirement plan coverage (synonymous with access) as being for an employee age 18 or older who works for an employer that provides a retirement plan and is eligible for that plan. Since the GAO does not report trends in coverage, we use data from Copeland (2014). This EBRI report presents Current Population Survey data on retirement plan participation and coverage over time for workers ages 21 to 64.

[6]Nari Rhee and Ilana Boivie, "The Continuing Retirement Savings Crisis." Available at SSRN: https://ssrn.com/abstract=2785723 or http://dx.doi.org/10.2139/ssrn.2785723, March 18, 2015.

[7]The Pew Charitable Trusts (2016), "Who's In, Who's Out: A look at access to employer-based retirement plans and participation in the states," p. 20, Washington, DC. http://www.pewtrusts.org/-/media/assets/2016/01/retirement_savings_report_jan16.pdf.

Small-business employees are especially vulnerable. A U.S. Government Accountability Office (GAO) study found that only about 14 percent (1 in 7) of businesses with 100 or fewer employees offer their employees a retirement plan.[8] To a large extent, this is due to the perceived cost and complexity of retirement plan sponsorship and perceived lack of demand from employees.[9] A Pew Charitable Trusts survey of small and medium-sized businesses without such a plan found that 71 percent felt the plans were too expensive to set up and 63 percent believed they lacked the resources to administer a retirement savings plan.[10] Retirement savings plans for small businesses, in fact, typically have higher fees per capita or per dollar invested than those available to larger businesses. A Brightscope/ICI report found that the median total annual cost for plans with under $1 million in assets is 148 basis points, compared with 57 basis points for plans with $100 million to $250 million in assets.[11] A low-cost retirement savings plan that is simple to administer would help answer these concerns.

Contingent workers comprise another large group unlikely to be covered by a retirement savings plan. This group includes blue-collar workers such as printers, security guards, maintenance professionals, and factory workers; notably, a significant number of such workers were once regular employees, many of whom had retirement plans. In addition, contingent workers today include both those who operate in the "gig economy" and attain work through technology platforms such as Uber or Lyft, as well as white-collar consultants and independent contractors, some of whom are highly paid. Using the most widely accepted definition, there were nearly 11 million contingent workers in 2010 — about 8 percent of the employed labor force.[12] On average, these workers earned almost 13 percent less annually (even controlling for the effects of working part-time or seasonally) and were two-thirds less likely to have access to a work-provided retirement savings account than their traditionally employed counterparts.[13]

When considering whether to introduce a new retirement savings option, states will no doubt consider the likelihood of success — that is, whether eligible workers will use it. To gain insight into that issue, one can look at participation rates for retirement plans. Participation rates for individuals who are eligible to join an employer-sponsored plan exceed 72 percent for all worker characteristics and firm sizes, except for three categories — workers age 18–24, workers in the lowest earnings quartile, and

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[8]Testimony of C. Jeszeck (2013), "Retirement Security: Challenges and Prospects for Employees of Small Businesses (GAO-13-748T)," p. 8, U.S. Government Accountability Office, Washington, DC. http://www.gao.gov/assets/660/655889.pdf.
[9]Retirement savings plans include employer-sponsored IRA plans, defined contribution (DC) plans, and defined benefit (DB) plans. See U.S. GAO (2012), "Private Pensions: Better Agency Coordination Could Help Small Employers Address Challenges to Plan Sponsorship (GAO-12-326)," p. 4–5. https://www.gao.gov/assets/590/589055.pdf.
[10]The Pew Charitable Trusts (2017), "Small Business Views on Retirement Savings Plans," p. 2, Washington, DC. https://www.pewtrusts.org/-/media/assets/2017/01/small-business-survey-retirement-savings_f.pdf.
[11]BrightScope and ICI (2014), "The BrightScope/ICI Defined Contribution Plan Profile: A Close Look at 401(k) Plans," p. 42, San Diego, CA: BrightScope and Washington, DC: Investment Company Institute. https://www.ici.org/pdf/ppr_14_dcplan_profile_401k.pdf.
[12]GAO (2015a), "Contingent Workforce: Size, Characteristics, Earnings, and Benefits (GAO-15-168R)," p. 12, Washington, DC. https://www.gao.gov/assets/670/669766.pdf.
U.S. Bureau of Labor Statistics (2018), "Labor Force Statistics from the Current Population Survey," https://data.bls.gov/timeseries/LNS12600000 and https://data.bls.gov/timeseries/LNS12500000.
Calculation of 11 million is taken from figure of total workforce in U.S. Bureau of Labor Statistics data and estimate of 8 percent is from GAO analysis.
[13]GAO (2015a), p. 6.

high school dropouts. Even in those categories, however, participation rates exceed 50 percent when workers have access to such plans.[14] For all workers with retirement plan access, participation rates have been high and relatively steady — between 79 percent and 81 percent — since 1987.[15] These facts suggest that expanding coverage will expand total participation as well.

Notably, savings rates have less to do with income levels than one might think; savings variability, it appears, has more to do with retirement plan access. When employees are presented with a plan at work that provides guidance, they take the opportunity to save. This is true for a wide range of income levels. A GAO study of why lower-income people are less likely to save showed very similar participation rates in plans among eligible individuals of varying income levels.[16] Among workers age 50 to 58, 86 percent of those with incomes under 300 percent of the poverty line[17] participated in a retirement savings plan or pension if they were offered one and were eligible, compared with 95 percent of those with higher incomes.[18]

Furthermore, plan design can have a big effect on participation. Since passage of the Pension Protection Act of 2006 (PPA),[19] retirement savings plans using automatic enrollment have had much higher participation rates for low-wage employees than plans without automatic enrollment.[20]

The Employee Benefit Research Institute's 2017 Retirement Confidence Survey[21] demonstrated both the value of a workplace plan and the cost of not having one. It found that about 66 percent of employees with access to a retirement savings plan through their employers had more than $25,000 saved, and 45 percent had $100,000 or more saved.[22] However, 87 percent of those without access to such a plan had less than $25,000 in total savings and investments, and only 5 percent had $100,000 or more in savings.[23]

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[14]GAO (2015b), p. 97–98.

[15]Craig Copeland (2014), "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013," Employee Benefit Research Institute (EBRI), Issue Brief 405, p. 27, Washington, DC.

[16]GAO (2013), "Automatic IRAs: Lower-Earning Households Could Realize Increases in Retirement Income (GAO-13-699)," Washington, DC. http://www.gao.gov/assets/660/657171.pdf.

[17] As of 2018, 300 percent of the U.S. poverty line would be $49,380 for a family of two and $88,260 for a family of five. For more information, see: U.S. Department Health and Human Services, Office of the Assistant Secretary for Planning and Education, "2018 Poverty Guidelines." https://aspe.hhs.gov/2018-poverty-guidelines.

[18]April Y. Wu and Matthew S. Rutledge (2014), "Lower-Income Individuals without Pensions: Who Misses Out and Why," p. 9, CRR Working Paper 2014-2, Boston College Center for Retirement Research, Chestnut Hill, MA. http://crr.bc.edu/working-papers/lower-income-individuals-without-pensions-who-misses-out-and-why/.

[19]The Pension Protection Act of 2006 (PPA) made changes to retirement savings and pension funding rules. It also removed certain barriers that prevented firms with DC plans from automatically enrolling employees. For a summary of the PPA, see Pension Benefit Guaranty Corporation (2017), "Pension Protection Act of 2006." https://www.pbgc.gov/prac/laws-and-regulations/pension-protection-act-of-2006.

[20]Jeffrey Clark, Stephen Utkus, and Jean Young, "Automatic enrollment: the power of default." Vanguard Research, p. 5, Valley Forge, PA, January 2015. https://pressroom.vanguard.com/content/nonindexed/Automatic_enrollment_power_of_default_1.15.2015.pdf.

[21]EBRI (2017), "Preparing for Retirement in America," 2017 RCS Fact Sheet 3, p. 3, Washington, DC. https://www.ebri.org/docs/default-source/rcs/3_rcs_17-fs-3_preps-final.pdf?sfvrsn=8ce8302f_2.

[22]This question applies to employees of all ages.

[23]EBRI defines "having a retirement plan" as having an IRA, DB, or DC plan. The value of assets reported contains all investments except for the value of the respondent's primary residence and DB plan assets.

III. States Are Designing New Ways to Expand Access to Retirement Savings Options

Since 2012, more than 40 states have introduced legislation to either establish a state-facilitated retirement program for private sector workers or study the feasibility of establishing one. As of May 2019, these actions have resulted in 11 new retirement savings programs. Ten states (California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, New York, Oregon, Vermont, and Washington) and one city (Seattle) have enacted legislation to expand the accessibility and effectiveness of retirement savings for private sector workers.[24] (For convenience, this paper generally refers to "states" and "state-facilitated retirement savings programs," even though there is at least one new city program.)

In light of the continued failure of Congress to address the large number of Americans who lack the ability to build retirement security, states have acted out of necessity. They face significant budgetary and economic consequences if more Americans enter retirement with limited financial resources.[25] Particularly given the rapidly aging population, states will be increasingly pressed to deal with dramatic increases in the cost of social service programs for seniors living at or below the poverty line — namely, programs related to healthcare, housing, and food and energy assistance.

> "Since 2012, more than 40 states have introduced legislation to either establish a state-facilitated retirement program for private sector workers or study the feasibility of establishing one."

There is also the broader benefit to the economy to consider. Lower incomes in retirement mean that consumers spend less and the available tax base is reduced, but if retirees have more savings and income to spend, they can contribute to the strength of local and national economies. One recent study suggests that for every 100 retirees who move into a community, as many as 55 new jobs can be created.[26]

States are implementing several types of program designs, described further below:[27]

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[24]For more detailed information about state programs and legislative proposals, see the Georgetown Center for Retirement Initiatives website at http://cri.georgetown.edu/states/.

[25]Philip Trostel (2017), "The Fiscal Implications of Inadequate Retirement Savings in Maine," University of Maine, Orono, ME. https://mcspolicycenter.umaine.edu/wp-content/uploads/sites/122/2017/03/final-aarp-report.pdf; Econsult Solutions (2018), "The Impact of Insufficient Retirement Savings on the Commonwealth of Pennsylvania," Final Report submitted to the Pennsylvania Treasury Department, Philadelphia, PA. http://www.patreasury.gov/pdf/Impact-Insufficient-Retirement-Savings.pdf.

[26]Selig Center for Economic Growth, Terry College of Business, University of Georgia (2013), "Evaluating Retiree-based Economic Development in Georgia: Golden Rules," p. 11, Athens, GA. https://www.terry.uga.edu/media/documents/selig/golden-rules-2013.pdf.

[27]Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University (2019a), "State-Facilitated Retirement Savings Programs: A Snapshot of Plan Design Features," State Brief-19-03, May 30, 2019, Update, Washington, DC. https://cri.georgetown.edu/wp-content/uploads/2018/12/States_SnapShotPlanDesign6-3-19FINAL.pdf.

1) Payroll deduction IRAs, usually using automatic enrollment (Auto IRAs), that certain employers are required to offer if they have no other retirement plan;
2) Payroll deduction IRAs that employers can choose to join;
3) Open Multiple Employer Plans (MEPs); and
4) Marketplaces.

All these program options are voluntary for employees — they can choose whether and how much to contribute. Six states (California, Connecticut, Illinois, Maryland, New Jersey, and Oregon) and the city of Seattle require employers that meet certain criteria and have chosen not to establish their own retirement plans to offer the state or city-facilitated program to their employees. One (Washington) has a retirement marketplace, two (Massachusetts and Vermont) have enacted MEPs, and one (New York) has created a payroll deduction IRA program that companies can offer if they so choose.

Each program is in a different stage of implementation. As of May 2019, five programs — Oregon, Massachusetts, Washington, Illinois, and California — are now enrolling workers. Others are in various stages of planning and/or implementation, as detailed in the appendix. The following is an overview of the four program designs and their level of adoption thus far.

Automatic IRA Plans Using Payroll Deduction IRAs. As noted, six states and one city have enacted laws establishing payroll deduction IRA programs based on the Auto IRA. These states — California, Connecticut, Illinois, Maryland, New Jersey, and Oregon, in addition to the city of Seattle – have some program design differences, but all require businesses meeting certain criteria to offer their employees the state's program unless they choose to offer their own retirement plans. Many of these states have begun to implement their programs, with Oregon being the first state to launch its program, in late 2017, Illinois launching statewide in November 2018; and California also beginning its pilot program in November 2018. Most of the state programs to date anticipate being fully implemented between 2020 and 2022.[28]

Voluntary Payroll Deduction IRAs. In April 2018, New York became the first state to adopt a voluntary payroll deduction IRA program. This design differs from the approach taken by the other states to date in two key ways: 1) Employer participation in the program is voluntary and 2) it does not require the use of auto-enrollment. In many other respects, the program design is like Auto IRA plans, featuring a state-appointed governing board and a simplified set of investment options using a Roth IRA.

Federal Legal and Regulatory Considerations Affecting State-Facilitated Payroll Deduction IRAs. In 1975, the U.S. Department of Labor (DOL) created a regulatory safe harbor for payroll deduction IRAs, specifying the conditions under which such plans would be exempt from ERISA, the public law governing private sector retirement plans.[29] Of course, this safe harbor did not envision state-facilitated plans that require employer participation or use automatic enrollment,

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[28]For an overview of program implementation timelines, see Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University (2019a), "State-Facilitated Retirement Savings Programs: A Snapshot of Plan Design Features," State Brief-19-03, May 30, 2019 Update, Washington, DC. https://cri.georgetown.edu/wp-content/uploads/2018/12/States_SnapShotPlanDesign6-3-19FINAL.pdf.

[29]The DOL has ruled in DOL Reg. Sec. 2510.3-2(d) that an employer IRA payroll deduction program is not an ERISA plan if 1) it is employee-pay-all (the employer does not make any contributions); 2) employee participation is completely voluntary; 3) employer involvement is limited to making the program known to employees, without endorsement, processing payroll withholding elections, and answering questions; and 4) the employer is not paid for offering the program.

since these features had yet to be conceived. States with Auto IRA programs that include an employer mandate and automatically enroll employees take the position that the DOL safe harbor exempts their programs from ERISA regulations.[30] The New York program takes a lighter regulatory approach and does not mandate that employers join the state program.

State-Facilitated Multiple-Employer Plans (MEPs). Two states — Massachusetts and Vermont — have authorized the creation of state "open" MEPs. A MEP is a tax-qualified plan covered by ERISA and the Tax Code "qualified" plan rules. These Section 401(k) plans have higher contribution limits than IRA-based plans and allow both employers and employees to contribute. However, ERISA also requires participation by employers to be voluntary.

DOL has given a government-sponsored MEP greater operational freedom than one sponsored by a private sector entity. Specifically, an "open" MEP sponsored by a state or local government may allow any business employing state residents to join the program without regard to the common bond requirement (such as being in the same industry) that currently exists for other MEPs.[31] The Treasury Department and IRS are expected to propose regulations in 2019 that would eliminate or relax the "one bad apple" rule for MEPs that would remove any concerns about the MEP's tax qualified status being jeopardized for violations of the qualification rules by one just one employer or segment of the plan.

In 2017, Massachusetts launched its MEP 401(k) for certain nonprofits, through the Massachusetts Connecting Organizations to Retirement (CORE) Plan.[32] The plan uses automatic enrollment. As authorized by the law, CORE is a state-sponsored, tax-deferred plan for nonprofits with no more than 20 employees.[33] Vermont currently plans to launch its statewide 401(k) MEP in 2019. Employers in Vermont with 50 or fewer employees that do not currently offer a plan will be eligible to join the MEP.

State-Facilitated Marketplaces. A marketplace allows the state to connect eligible, often small, employers with qualifying retirement savings plans offered by private sector providers. Only pre-screened products that the state determines are suited to small employers, provide good quality, and charge low fees are offered through the marketplace. The marketplace can be designed with the flexibility to offer a variety of retirement plan options, ranging from IRAs to 401(k)s. The state does not assume any of the legal or regulatory obligations of those plan options; they remain with the plan provider. Currently, Washington has implemented a marketplace.

The Washington State Small Business Retirement Savings Marketplace opened for business on March 19, 2018. It offers five types of 401(k) plans and two types of IRAs (a Roth and a traditional) through two

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[30]David Morse (2017), "The First State Auto IRA Is Up, Running, and Working—So Why Do Some Business Groups Want These Plans to Fail?" *Benefits Law Journal*, Vol. 30, No. 4, New York, NY. http://www.klgates.com/files/Publication/fe23342f-0720-4381-bd59-11c259832e2e/Presentation/PublicationAttachment/6f845bd4-1601-4da7-bebb-159bebc01ea2/From%20the%20EditorThe%20First%20State%20Auto%20IRA%20Is%20Up%20Running%20and%20Working%20So%20Why%20Do%20Some%20Business%20Groups%20Want.pdf.

[31]See 80 Fed. Reg. 71,938. November 18, 2015.

[32]Office of State Treasurer and Receiver General (2017), "Treasurer Goldberg and Massachusetts Nonprofit Network Launch New Defined Contribution 'CORE Plan' [press release]." https://www.mass.gov/news/treasurer-goldberg-and-massachusetts-nonprofit-network-launch-new-defined-contribution-core.

[33]See bill language Mass. Gen. Laws Ch. 60, § 1-5 (March 22, 2012). https://malegislature.gov/Laws/SessionLaws/Acts/2012/Chapter60.

firms. In April 2018, the program announced that it anticipated adding a Simplified Employee Pension (SEP), and a Roth and traditional IRA from another provider are currently under review.[34]

Although the Washington and New Jersey programs came from almost almost-identical legislation, New Jersey did not implement its marketplace and enacted a new Auto IRA program in March 2019.

IV. The Importance of Program Operations to Financial Feasibility[35]

Regardless of the type of program being implemented in a state, there are typically three key components of program operation that, when managed effectively and efficiently, help keep costs low. These are recordkeeping, investment management, and program administration. Each state considers similar operational and administrative functions when establishing their programs.

- ***Recordkeeping.*** Recordkeeping is the unseen heart of a retirement plan. It includes signing up new employers, tracking enrollments and opt-outs, establishing employee accounts, processing contributions and withdrawals, recording and implementing employee choices regarding contribution rates and investments, generating reports and tax documents, and providing customer service related to these activities. Recordkeeping costs are dominated by unit costs — that is, costs per employer using the plan as well as for each employee account — and constitute by far the largest cost center during program startup: The larger the number of potential decision points and exceptions the recordkeeper must implement, the higher the potential cost. Once the program is established, costs do not vary significantly based on the amount of money in the employee's account; an account with $100 in it costs about the same for the recordkeeper to manage as one with $100,000.

- ***Investment.*** While the Board of Trustees of a state program will set investment policy and exercise oversight, day-to-day management of investment portfolios usually will be contracted out. Investment management fees are typically charged as a percentage of assets for each account. Program scale will have an impact on the ability to command low investment management fees. Because it does not cost much more to manage a $10 billion fund than a $1 billion fund, the program's investment expense ratio — the percentage of assets spent on investment management — can be expected to drop as the plan's asset base grows.

- ***Program administration.*** There will be some costs for the state to administer its program. These costs will be incurred as part of not only program planning and the launch, but the ongoing administration and oversight as well. These costs generally are to be paid by fees on the program assets; such fees can be kept very low, especially when spread across a large participant and asset

[34]Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University (2018), "Open for Business: Updates from OregonSaves and the Washington State Retirement Marketplace" [video webinar]. https://www.youtube.com/watch?v=C8uj86aVpUA&feature=youtu.be.
[35]This section draws upon Nari Rhee (2016), "Lessons from California, Connecticut, and Oregon: How Plan Design Considerations Shape the Financial Feasibility of State Auto-IRAs," State Brief 16-03, Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University, Washington, DC. https://cri.georgetown.edu/wp-content/uploads/2016/12/Policy-Brief-16-3.pdf.

base.[36] State-specific administrative costs that are ongoing include program staff salaries, board expenses, consultant and legal expenses, and fiduciary liability insurance premiums. Four studies have estimated these costs. Ongoing annual program administration costs are estimated to be up to $1 million in Connecticut[37] and Illinois,[38] $1.3 million in Oregon,[39] and $6.6 million in California,[40] averaging just a few dollars per participant. In addition, one-time program startup cost estimates in the four studies range between $500,000 and $1.1 million. To date, actual annual program costs appear to be consistent with these estimates. In addition, most, if not all, states are required to repay these funds once their program is self-sustaining.

Cost containment is critical for state programs because they will start out with many accounts to service, but low average balances on which to charge fees. To minimize total program expenses as a percentage of assets, states must minimize program complexity and leverage economies of scale effectively.

During the startup phase, recordkeeper costs for servicing employers and employees will make up a program's largest cost center. Because many of the core operational functions of state programs are similar, economies of scale could be generated if states were to come together and use one set of vendors to handle the operations component of their programs. Such multi-state collaboration could further reduce the costs of state programs by using one set of investment managers, advisors, and service providers.

For states establishing new retirement savings programs, exploring program design options remains critical. The financial feasibility studies for auto-IRA programs in California, Connecticut, Illinois, and Oregon demonstrate that over the long term (and in some cases, the short term), participating states can afford to charge low fees and still continue to be self-funding. However, this requires states to be vigilant about program design to minimize costs.

Contract with a Turnkey Private Provider. One way for a state to build a retirement savings program would be to contract with a private provider that would structure and manage the entire platform in the state's name and under the state's "brand." Whether it is a payroll deduction IRA or a more-complex MEP arrangement, the provider would be responsible for handling all recordkeeping, transaction processing, and investment management, although any of the services could also be contracted out

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[36] State laws set limits on fees, which vary from 0.5% (Maryland) to 0.75% (Illinois and Connecticut) to 1.05% (Oregon). For an overview of program fees, see Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University (2019a), "State-Facilitated Retirement Savings Programs: A Snapshot of Plan Design Features," State Brief-19-03, May 30, 2019 Update, Washington, DC. https://cri.georgetown.edu/wp-content/uploads/2018/12/States_SnapShotPlanDesign6-3-19FINAL.pdf.

[37] State of Connecticut Retirement Security Board (2016), "Report to Legislature: Connecticut Retirement Security Board," p. 37. https://www.osc.ct.gov/crsb/docs/finalreport/CRSB_January_1_Report.pdf.

[38] Center for Retirement Research, Boston College (2017), "Financial Feasibility Study: Illinois Secure Choice," p. 9–10, Chestnut Hill, MA. http://illinoistreasurer.gov/TWOCMS/media/doc/Illinois%20Secure%20Choice%20Feasibility%20FINAL.pdf.

[39] Center for Retirement Research, Boston College (2016), "Oregon Feasibility Study Report," p. 9, Chestnut Hill, MA. https://www.oregon.gov/retire/SiteAssets/Pages/Newsroom/ORSP%20Feasibility%20Study%208_11_2016.pdf.

[40] Overture Financial (2016), "Final Report to the California Secure Choice Retirement Savings Investment Board," p. 117, New York, NY. https://www.treasurer.ca.gov/scib/report.pdf.

separately. The provider would also be free to offer the same platform to other states or even to private employers.

This is a way for individual states to achieve benefits of scale and offer a program that potentially has lower costs than if a state acted on its own. The provider may simply act as an aggregator that combines and manages services provided by others, or it could offer a complete suite of services. Similarly, the program could be branded for individual states, or if several states end up offering the same platform, it could be under a joint name, in much the same way that certain state lotteries are jointly branded as Powerball.

As an example, a single provider could structure a low-cost, simple retirement program that it manages using its own recordkeeping platform, as well as offering investment by itself and/or others. This could be a program that it also offers to private sector employers, or one specially developed for use by states. Similarly, a provider that specializes in one area could use its own services and contract out the others, or an advisor could contract out all of the individual services. The overall platform could be under the control of one company, or it could be a consortium that has decided to act together to take advantage of a market opportunity.

"This is a way for individual states to achieve benefits of scale and offer a program that potentially has lower costs than if a state acted on its own."

For states, the advantages include the ability to have an experienced manager handling all the myriad details of creating and operating a retirement program. All day-to-day responsibility would be centrally located and thus easier to manage. The costs of creating a program could be spread over a higher number of savers, while creating a larger investment pool faster than would be otherwise possible. It might also be possible to offer a wider variety of investments and other services than if a state program started from scratch. In theory, it could also be used for any type of state-sponsored program, from a MEP to a marketplace. If several states all choose to use the same platform, there is a greater chance for employees who change jobs to remain covered by essentially the same program.

This approach could be used for any of the existing state program models. It does not appear to cause any additional legal questions, other than those that might already exist for state programs of differing types. If more than one state is using the same platform in the case of an open MEP, the contract might have to be drafted so each state is clearly the sponsor of its own plan to meet DOL requirements, but this does not seem to be a major obstacle. Even if several states all decided to use the same private sector provider's platform, the details would be specified by contract with the provider. State law could authorize the relevant state authority to enter into such an arrangement, and any provisions needed to meet specific state requirements could be specified in the contract.

However, there are also drawbacks for states considering such an approach. The state still has the ultimate responsibility for ensuring that all fiduciary responsibilities are met. Since this arrangement is handled largely outside state government, it might be more difficult to ensure that there are no hidden fees or operating failures. In the event that more than one state is using the same platform, each state must ensure that the arrangement benefits its savers equally with others, and that it matches its individual economic and political circumstances appropriately. Each state must also take steps to ensure that all contracts are negotiated to the advantage of its savers rather than the managers, fees are appropriate, and investment options are chosen objectively rather than because the provider offers them.

There will be a temptation for states to assume that all is well, but a hands-off approach could result in missing small problems that become serious ones. Contracting out the entire platform operation has great potential, but active oversight is essential.

V. Individual State Demographics Can Pose Special Challenges

While all states have substantial populations of uncovered workers, their individual circumstances vary widely. These include the absolute size of the population that could benefit from a state-facilitated program, the proportion of workers employed by very small employers or who are self-employed, whether the state contains urban areas of significant size, and the income levels of uncovered workers. A state of any size can set up a state-facilitated program, but larger numbers of uncovered workers enable the startup costs to be spread over a wider population and make it easier to build significant investment balances quickly. Similarly, larger urban areas make it easier to reach larger numbers of uncovered workers than when such workers are spread over many small towns and rural areas. Finally, uncovered workers at small employers are harder to serve with a personal touch, as are the self-employed.[41]

> "The number of potential users…varies widely. California…has about 7.5 million uncovered workers…on the other hand, North Dakota has about 112,000."

The number of potential users of a state-facilitated system varies widely. California, which is implementing such a program, has about 7.5 million uncovered workers, while Pennsylvania, which is considering such a move, has about 2.2 million. On the other hand, North Dakota has about 112,000 uncovered workers, Delaware about 152,000, Rhode Island about 185,000, and West Virginia about 270,000. [42]

Other factors are more constant regardless of population size. All these states have a roughly similar proportion of uncovered workers who work for employers with 10 or more employees or who earn more than $63,500 annually.[43] The proportion of uncovered workers who work for employers with 10 or more employees ranges from 72% in North Dakota to 80% in Pennsylvania, and the percentage of the uncovered who earn $63,500 or more ranges from 7% in North Dakota to 11% in California. However,

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[41]With a better understanding of the size and future potential growth of the contingent or "gig" workforce, several states are evaluating their options for how to reach out and include self-employed workers in their programs. The Washington state marketplace, by design, is already open to individuals and the self-employed.

[42]For state-level figures on uncovered workers, see AARP Public Policy Institute, "State Retirement Savings Resource Center, Workplace Retirement Plan: Who's Not Covered?," Washington, DC. https://www.aarp.org/ppi/state-retirement-plans/retirement-savings-gap/.

[43]The fifth and highest-income quintile includes workers who earn $63,500 and above.

the difference in gross population means that California has about 825,000 uncovered workers earning higher wages, while only about 7,800 earn that much in North Dakota.

States and their workers also can vary significantly in other ways, including the types of industries and average employer size; racial and ethnic diversity; and average worker's age, income, and education levels. All of these factors can have an impact on levels of participation in retirement savings programs.[44] Some of these characteristics may be more similar among states in a particular region of the country and should be taken into consideration in determining which plan design approach could work best for the state.

Urbanization is another factor that is likely to affect how hard it would be for a state program to increase coverage.[45] Of the states mentioned above, 95 percent of California's population in the 2010 census lived in an urban area.[46] This makes it much easier to reach a significant number of uncovered workers without requiring major travel. On the other hand, only 60 percent of North Dakota's population is in urban areas and only 49 percent of West Virginia's population is in such locations. Certain small states, however, are very urbanized, with 91 percent of Rhode Islanders and 83 percent of Delaware's population living in such areas.

Finally, geography could influence the decision about whether a multi-state or regional approach is a better alternative and how such a plan might be structured. For instance, a small-population state that is close to one with a much-higher population might find it better to seek an affiliation with the larger state plan. On the other hand, several small-population states close to each other could decide to band together and set up a platform that serves all of their uncovered workers.

In planning for a state-facilitated plan, in particular a state auto-IRA program, states should not assume that any such plan would serve all of the state's uncovered workers. Some employers may choose to set up their own retirement plans rather than use the state-facilitated program. The extent to which this may happen remains to be seen. Early data from OregonSaves, while incomplete, suggest that fewer than 5 percent of eligible employers have chosen to establish their own plans rather than use the Oregon program.[47] Regardless of the path chosen, the state's goal of increasing worker access to retirement savings would be achieved.

An additional factor is whether the state chooses to require employers that meet certain criteria to offer a retirement saving plan or if employer participation is voluntary. States with voluntary participation by employers will have to find other ways to encourage a greater proportion of eligible employers to use the state-sponsored platform.

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[44]The Pew Charitable Trusts (2016), "Who's In, Who's Out: A look at access to employer-based retirement Plans and participation in the states," Washington, DC. http://www.pewtrusts.org/-/media/assets/2016/01/retirement_savings_report_jan16.pdf.

[45]For the Census Bureau's classification of urban and rural, see U.S. Census Bureau (2017), "2010 Census Urban Area FAQs," Washington, DC. https://www.census.gov/programs-surveys/geography/about/faq/2010-urban-area-faq.html.

[46]U.S. Census Bureau (2012), "United States Summary: 2010 Population and Housing Unit Counts, 2010 Census of Population and Housing," Table 19, p. 42, Washington, DC. https://www.census.gov/prod/cen2010/cph-2-1.pdf.

[47]Information provided via email communication from Joel Metlen, Operations Director, Oregon Savings Network, Office of the Oregon Treasurer (June 7, 2018).

VI. Section 529 College Savings Programs: Open Eligibility but Individual Administrative Structures[48]

A Section 529 college savings plan[49] offers some administrative lessons for developing a multi-state approach to retirement savings programs. Most 529 plans are open to residents of other states. Only a handful of states still restrict their college savings plans to their state residents, but even in those states, their residents are not restricted from enrolling in plans of other states. Some states have lower maintenance fees for in-state than for out-of-state participants, an approach not dissimilar to the use of in-state vs. out-of-state tuition at public universities. For example, the District of Columbia's plan charges a $15 annual maintenance fee for out-of-state residents or $10 annually for in-state residents.[50]

If a saver wants to switch his or her account to another state's college savings plan, every state allows a once-per-year rollover with no federal tax consequences. However, many states will charge for transferring the account or will recapture state tax deductions if the account moves from an in-state to an out-of-state plan.

Turnkey Administrative Model for Program Servicing. Section 529 college savings plans were developed state by state, with large states and early adopters having the greatest success in achieving scale, attracting national investors, and keeping costs low relative to other state programs. Although state programs have developed turnkey approaches to managing operations, each state operates its program independently and still pays for its own infrastructure, while benefiting from design similarity and avoiding unnecessary additional costs.

While the earliest 529 college savings plans tended to be run entirely by an appointed state entity (e.g., the Ohio Tuition Trust Authority, Utah Educational Savings Plan, and Virginia College Savings Plan), most of today's plans have engaged private sector turnkey program managers that provide all necessary services under one comprehensive management agreement. These include investment management, customer service, legal compliance, recordkeeping and administration, marketing and outreach, and distribution. For the most part, 529 program managers are based in investment management firms or in technology firms that have alliances with providers of key services.[51] More recently, some states have implemented a hybrid structure, with the various management services required in a 529 plan split between the states and their private sector partners.

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[48]This section draws from Andrea Feirstein (2016), "529 College Savings Plans: Lessons for Publicly Sponsored Private Retirement Plans," Policy Brief 16-02, Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University, Washington, DC. https://cri.georgetown.edu/wp-content/uploads/2016/11/Policy-Brief-16-2.pdf.

[49]Section 529 plans allow individuals to make contributions to savings accounts that can used to pay for a variety of qualified educational expenses, including tuition, books, and room and board. The money invested in a 529 account grows tax-deferred and there are no state or federal taxes when the money is withdrawn and used for qualified college-related expenses.

[50]DC College Savings Plan, "FAQs." https://www.dccollegesavings.com/home/faqs.html.

[51]Based on a review of Program Disclosure Statements for currently offered college savings plans. See also College Savings Plan Network, "529 Plan Comparison By State." http://plans.collegesavings.org/planComparisonState.aspx; and Savingforcollege.com, "Compare 529 Plans." http://www.savingforcollege.com/compare_529_plans/?plan_question_ids[]=26&page=compare_plan_questions.

States that already had large primary customer service, technology, and consumer outreach operations could readily provide those services for 529 plans. For other states, there has been no shortage of private sector entities willing to contract to provide the component services. In recognition of different plan management structures, the College Savings Plans Network, an affiliated entity of the National Association of State Treasurers, adopted general guidance in May 2010 to provide a framework for state administrators of 529 plans to facilitate oversight and monitoring of the plans.[52] The guidance intentionally does not set a single strict code for oversight, but rather recognizes the different nature of college savings governing structures and essentially establishes that oversight standards must be consistent with the nature, size, and operation of each state entity.

In applying similar general governance principles to state-facilitated retirement plans, it should be noted that the retirement industry has already established the administrative infrastructure for addressing tax code requirements. For example, an IRA must have a trustee or custodian that is a bank, federally insured credit union, savings and loan association, or other entity approved by the IRS. Every IRA account has a written document that describes the role of a custodian or trustee, and a disclosure statement that explains the IRA account rules and how the account operates. As with 529 plans, many private sector service providers act as IRA custodians and maintain customer service and technology platforms for IRAs.

While many states have engaged private sector service providers to manage key components of 529 plans, state boards and other governing authorities must retain their fiduciary responsibility to 529 participants. In fact, even where states engage turnkey service providers, the state entity remains responsible for the choice of the private sector manager, which must be based upon a transparent solicitation process and careful manager due diligence.

Boards and governing bodies satisfy their fiduciary duties by complying with well-established processes, such as adopting investment policies, investment monitoring and replacement criteria, and engaging managers through and in accordance with public competitive procurement procedures. They also fulfill their duties of obedience and care by engaging independent, expert advisors when necessary, and always acting in the best interests of the programs' participants. For multi-state retirement savings programs, this would remain true for both the state that originates the program and the state that is interested in allowing its citizens to use it.

VII. The Achieving a Better Life Experience (ABLE) Program: Open Eligibility with Interstate Collaboration for Administrative Efficiency

In addition to 529 plans, a more-recently established state-based savings program can inform the development of a multi-state approach to retirement savings programs. The Stephen Beck, Jr. Achieving a Better Life Experience (ABLE) Act (Public Law 113-295) is intended to help those with disabilities save for the future so they can have a better quality of life and pay for disability-related expenses without putting their limited federal disability benefits at risk. This new program gives eligible individuals with

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[52] College Savings Plans Network (2010), "Guidance for Governance and Maintenance of Section 529 Savings Plans, adopted May 18, 2010." http://www.collegesavings.org/wp-content/uploads/2015/06/Governance-Principles-approved-5-18-2010.pdf.

disabilities the ability to establish tax-advantaged savings accounts called “ABLE accounts” that resemble the Section 529 college savings accounts.[53]

At its outset, the ABLE program faced the same issues that state retirement savings programs face today: limited state funding to support recordkeeping, investment, and program administrative costs and concerns about the ability to grow the number of accounts and assets to help keep costs low. However, the federal framework that authorizes state ABLE programs provides states with a unique opportunity: the freedom to explore options that would allow them to offer eligible residents ABLE accounts while building the scale necessary to attract high-quality investment managers and service providers to their programs, using a common administrative structure for the program services.

While there is no comparable explicit federal provision for multi-state collaboration among states adopting state-facilitated retirement savings programs, such provisions may not be needed. As noted, it is not clear that any explicit federal authorization would be required as a condition of state-facilitated retirement savings programs entering into multi-state arrangements. Accordingly, states adopting or considering adoption of state-facilitated retirement savings programs should be able to look to the ABLE programs for several options for structuring and administering multi-state partnerships, regional consortiums/alliances, interstate compacts, and similar interstate arrangements.

“States…should be able to look to the ABLE programs for several options for structuring and administering multi-state partnerships…and other similar interstate arrangements.”

States Creating an Alliance by Interstate Agreement. On January 15, 2016, a group of 13 states[54] entered into the ABLE Interstate Agreement (“Interstate Agreement”), establishing an ABLE Consortium Advisory Committee (“Consortium”) to facilitate an interstate alliance of states and complete a multi-state procurement, with Illinois acting as the facilitating state through its treasurer. Each of the participating states in the alliance established an ABLE Plan as authorized in Section 529A of the tax code[55] and passed legislation enabling the state to participate. They entered into the Interstate

[53]The ABLE Act created a Section 529A that established a new tax-favored program in the Internal Revenue Code. ABLE contribution amounts are tied to the federal gift tax amount, which is $15,000 in 2019. Eligibility for ABLE accounts is limited to those with a disability that originated before the age of 26. A qualified individual can use funds from his/her account for any expense related to his/her disability, including education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, legal fees, oversight and monitoring, funeral and burial, and other items, as outlined in program regulations issued by the U.S. Department of the Treasury. Investment growth is tax-free at the federal level when used for qualifying purposes. Contributions to an ABLE account must be made in cash from the contributor’s after-tax income. A state must ensure that aggregate contributions to an ABLE account do not exceed the state-based limits for 529 accounts. For more information, see the ABLE National Resource Center, “What are ABLE Accounts?” http://www.ablenrc.org/about/what-are-able-accounts.

[54]Alaska, Colorado, Illinois, Indiana, Iowa, Kansas, Minnesota, Montana, Nevada, North Carolina, Pennsylvania, Rhode Island, and the District of Columbia were the initial states to start the National ABLE Alliance.

[55]26 U.S. Code § 529A.

Agreement as a "Member Plan." Since that launch, three additional states — Arkansas, Delaware, and New Jersey — have joined the alliance, increasing the number of participating states to 16.[56]

Many of the states that are members of the alliance have smaller populations, so the collaboration helps them to achieve scale and minimize costs. Each member state program is also open to out-of-state individuals — elimination of the residency requirement in 2015 allows for qualified beneficiaries to enroll in any open program as soon as it is available.

- ***Member States Govern Program***.[57] On June 8, 2016, under the Interstate Agreement, the Illinois state treasurer issued a Request for Proposals (RFP) for investment management, administrative services, customer service, and outreach material support for all of the alliance member states. The Illinois state treasurer entered into a contract with Ascensus to serve as the program administrator and investment manager for the program on December 7, 2016.[58]

- ***Program Manager Responsibilities***.[59] As the program manager for the alliance, Ascensus entered into a Master Agreement with the facilitating state — Illinois — on behalf of all of the alliance states to offer common program elements, services, and costs to each of them. Under the Master Agreement, the program manager handles program operations, including recordkeeping, other administrative services, and investment management.

  In addition, Ascensus has entered into a separate Implementing Agreement with each of the member states (including the facilitating state) that says it may provide additional administrative or other services for certain member states. The initial Master Agreement is for five years and expires on December 7, 2021, unless terminated earlier. The member states may extend the Master Agreement for up to another five years with the current program manager. The Implementing Agreements and Master Agreement cover the same time period, although a member state always has the option to terminate its individual Implementing Agreement at any time.

- ***Investment Options***.[60] As part of the Master Agreement, each of the member plans offers the same seven investment options: six Target Risk Options (Aggressive, Moderately Aggressive, Growth, Moderate, Moderately Conservative, and Conservative) and a conservative checking account. BlackRock, Schwab, and Vanguard provide the mutual funds and/or Exchange Traded Funds (ETFs) and Sallie Mae Bank provides the high yield savings account in the Target Risk Options. Fifth Third Bank provides the checking account product.[61] There is no limit to the

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[56]Office of the State Treasurer (2017), "Delaware Joins Fourteen States to Assist Persons with Disabilities." https://news.delaware.gov/2017/12/19/delaware-joins-fourteen-states-assist-persons-disabilities/ and information provided via email communication from Courtney Eccles, Office of the Illinois State Treasurer. June 13, 2018.

[57]National ABLE Alliance (2018), "National ABLE Alliance: Plan Disclosure Statement, October 2018," p.15. https://cdn.unite529.com/jcdn/files/UABLE/pdfs/mn-programdescription.pdf#page=13.

[58]Office of the Treasurer (2016), "Notice of Contract Award: ABLE Services RFP 370-200-16-003." https://illinoistreasurer.gov/TWOCMS/media/doc/ABLE%20RFP%20370-200-16-003%20Ascensus%20College%20Savings%20Notice%20of%20Contract%20Award.pdf.

[59]National ABLE Alliance (2018), p. 16.

[60]Ibid., p. 8.

[61]Ibid., p. 16.

number of the investment options an investor can choose, but no less than 1 percent of the investor's total contribution can be allocated to any one of the options selected. Account assets may be moved from one investment option to another up to two times per calendar year or on a change in the account owner.[62]

Program assets are maintained separately for each of the member states and no member state can make any claim on the assets of another member state. The assets of each member state are invested in the investment options as provided for by the member state. Each member state is responsible for the governance and oversight of its program and assets.[63]

- *Account Fees.* Except for the checking account option, annual investment fees on assets can range from 0.34 to 0.37 percent.[64] A member plan may also charge an account maintenance fee. There are also additional administrative fees for certain types of activity-based transactions. For example, one of the member states that the checking account has a $2 monthly fee, which can be waived with an average daily balance of over $250 or if the account-holder is enrolled in electronic statement delivery at Fifth Third Bank.[65] There are currently no fees associated with rolling over an ABLE account from one ABLE program to another. There is a $60 annual account maintenance fee, which is discounted to $45 for account owners who receive specified account information electronically.[66]

States Enter an Agreement for Another State to Administer Their Programs. Several other states collaborate using an alternative model for implementing their ABLE programs. Ohio's state treasurer has created its STABLE Account program for implementing its ABLE program. Ohio offers its program to any other state interested in using it; unlike the interstate alliance model of agreements, in which member states can negotiate additional or alternative administrative arrangements, Ohio offers its program in whole to any other state. The adopting state would have the ability to brand the program as its own through its own state program website, but otherwise agrees to adopt the entire STABLE Account program structure, including recordkeeping, administrative services, and investment options.[67]

There is no cost for the adopting state to use the Ohio STABLE Account program, thanks to the economies of scale generated by bringing all savers directly through the program.[68] The program administrator for Ohio's STABLE Account is Intuition ABLE Solutions, LLC.[69] The investment manager is Vanguard and the investment fees range from 0.19 to 0.33 percent for Ohio and partner state residents.[70] There is an account administrative fee of $30 per year for Ohio residents and $42 per year

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[62]Ibid., p. 10.
[63]Ibid., p. 7.
[64]Ibid., p. 9.
[65]National ABLE Alliance, Minnesotable Plan (2018), "Member Plan Addendum, October 2018," p. 5. https://cdn.unite529.com/jcdn/files/UABLE/pdfs/mn-programdescription.pdf.
[66]Ibid.
[67]Each Partner State Supplement clearly lays out that the "STABLE Account Plan is established pursuant to Ohio law … and is structured and operated by the Ohio Treasurer's Office and Service Providers." See, for example, Kentucky's Partner State Supplement: STABLE ACCOUNT (2019), "Supplement to the Plan Disclosure Statement and Participation Agreement Dated January 1, 2019," p. 69. https://www.stableaccount.com/files/STABLEpds.pdf.
[68]Phone interview with Joe Aquilino, deputy treasurer and executive counsel, Office of the Ohio State Treasurer (June 11, 2018).
[69]STABLE ACCOUNT (2019), p. 11.
[70]Ibid., p. 11 and p. 14.

for account owners of partner states.[71] There is no fee for rolling over an ABLE account from one ABLE program to another ABLE program.[72]

To date, 11 states have chosen to partner with Ohio and adopt its STABLE Account program: Arizona, Georgia, Kentucky, Missouri, New Hampshire, New Mexico, Oklahoma, South Carolina, Vermont, West Virginia, and Wyoming.[73]

States Create a Flexible Partnership Model. Oregon also has established an ABLE program that includes a multi-state component: the Oregon ABLE Savings Plan for in-state residents and the ABLE for ALL Savings Plan for participants nationwide. It has also established a partnership model, the ABLE Collaboration, under which partner states establish an "intergovernmental cooperative purchasing agreement."[74] Under this arrangement, partner states can use consulting services from Oregon as well as establish contracts with the same program manager, to help launch their own state's ABLE plan at reduced costs and in less time.

Sumday Administration, LLC serves as the plan manager, providing administrative and recordkeeping services, for both plans.[75] Sumday entered into a five-year Management Agreement with the Oregon state treasurer on November 17, 2016 until November 18, 2021, unless terminated earlier. To date, Maryland and Washington have joined the ABLE Collaboration. The Bank of New York Mellon serves as the custodian of plan assets. While Sellwood Consulting, LLC serves as the investment advisor for Oregon, Washington uses the Washington State Investment Board and Maryland works with Marquette Associates.[76]

The plan offers a cash option and three investment options (conservative, moderate, and aggressive) that have underlying investment funds from Vanguard and a DFA fund.[77] There is an annual account maintenance fee of $35. Asset-based fees, made up of mutual fund and administrative expenses, range from 30 to just under 38 basis points. The plan manager charges a $10 annual print/mail fee, which is waived if the participant selects electronic delivery of plan documents. There is no fee to roll funds from another ABLE plan into this plan, but there is a $50 fee for rollovers out of the plan.[78]

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[71]Ibid., p. 14.
[72]ABLE National Resource Center, "Ohio." http://www.ablenrc.org/state-review/ohio.
[73]STABLE Account (2019), p. 69.
[74]MarylandABLE (2018), "Program Disclosure Booklet, July 5, 2018," p. 52. https://www.marylandable.org/assets/docs/maryland-able-plan-disclosure-booklet.pdf.
[75]ABLE for ALL Savings Plan (2018),"Plan Disclosure Booklet, September 10, 2018," p. 47. https://ableforall.com/assets/docs/able-for-all-plan-disclosure-booklet.pdf; Oregon ABLE Savings Plan, "Plan Disclosure Booklet, March 20, 2018," p. 52. https://oregonablesavings.com/assets/docs/oregon-able-plan-disclosure-booklet.pdf.
[76]ABLE for ALL (2018), p. 10; MarylandABLE (2018), p. 10; Washington State ABLE Savings Plan (2018), "Plan Disclosure, June 20, 2018," p. 10. https://www.washingtonstateable.com/assets/docs/washington-able-plan-disclosure.pdf.
[77]ABLE for ALL Savings Plan (2018), p. 52; MarylandABLE (2018), p. 57; Washington State ABLE Savings Plan (2018), p. 56.
[78]ABLE for ALL Savings Plan (2018), p. 37–38; MarylandABLE (2018), p. 42–43; Washington State ABLE Savings Plan (2018), p. 41–42.

States Opening Their Individual State Programs to Out-of-State Residents. Some states have established their own programs, although those are open to all out-of-state residents. This is an approach that more closely models a 529 college savings programs. Among the states that have chosen this approach are Virginia, Florida, New York, and Michigan. For example, Virginia manages its own ABLE program, but the program is open to all U.S. citizens and residents. It is administered by the Virginia 529 College Savings Plan. The program offers investment options provided by Vanguard and Fidelity, with asset-based fees ranging from 0.37 to 0.40 percent. A $39 annual administrative fee is waived for account balances of a certain size. There is no fee for rolling over the ABLE account to another ABLE program.[79]

State-based ABLE programs are off to a fast and strong start because of interstate collaboration, facilitated by federal legislation that removed concerns about benefits eligibility and state registration requirements. This cleared a path for these state programs to work together as efficiently as possible to reach more eligible individuals and boost savings.

VIII. Strength in Numbers: Options for Multi-State or Regional Collaboration to Promote Retirement Security

Both the Section 529 college savings accounts and ABLE programs provide models for how states could develop multi-state or regional retirement savings programs. There also are other models, several of them outlined in this paper, for policymakers to consider.

While any state can choose to create its own program limited to its own residents, a regional or other multi-state approach has the potential to achieve the economies of scale necessary to minimize costs while significantly expanding access to retirement savings options.

> "While any state can choose to create its own program…a regional or multi-state approach has the potential to achieve economies of scale…while significantly expanding access to retirement savings options."

Three general models for regional retirement savings plans are broadly defined by each of the following elements:

1) An established state plan contracts with another state to structure and administer the program for both states;
2) An interstate alliance or consortium jointly structures and administers a program for those states in the alliance;
3) A state opens its program to individual savers and employers from other states and allows them to join its platform.

While the first two models appear to have the most promise for general use, any of the three could meet the specific needs of a state, depending on which type of savings platform is preferred.

Regardless of whether a regional or individual state approach is adopted, the best way to ensure that any state-facilitated auto-IRA retirement savings program attracts the maximum number of savers is to

[79] ABLE National Resource Center, "Virginia." http://www.ablenrc.org/state-review/virginia.

both include automatic enrollment and require employers to either make the state program available or establish an individual employer plan.[80] This does not imply that a state program lacking one or both features will fail; it merely means that such a program will require additional effort to attract the same level of participation. Both the specific circumstances of a state's economy and political considerations may dictate that one model is better than another for a given state.

There is no wrong answer for any state. No matter which model a state chooses and whether it decides to create its own plan or join a multi-state plan, a decision to offer any state-facilitated program will improve the retirement security of its citizens.

Here is a closer look at details of the three models.

Contract with Another State to Run the Plan. There is no reason why a state must operate its own retirement savings program for private sector workers, regardless of the program type (e.g., IRA, MEP, or marketplace). A state could contract with another state that already has a program or, as discussed below, with a private sector provider. For states with small populations or a high volume of citizens commuting across state borders, contracting with another state to provide these services could be very attractive. Each state could still brand its program as its own, maintaining its own identity. For example, if State A contracts to use State B's program, the employers and savers of State A would see the platform offered as the State A program, even though it uses State B's account structure. Of course, this could change over time. As previously discussed, a variation on this type of arrangement is currently being used by Ohio and several other states to implement ABLE Act accounts.

"A state could contract with a state that already has a program…"

Under such an arrangement, a state without a program could contract with one that has one to provide those services to its private sector employers and workers. The state without a program could consider using tax incentives to encourage its employers and workers to participate in the program. Both states should have the same coverage requirements and operating rules, and offer the same features, although there could be some variations if both states agree. For instance, a state with a voluntary Auto IRA program might contract with a state that requires coverage, or states may specify certain differences for the program offered to citizens of another state, such as higher fees to cover any additional costs. However, both states must agree to the arrangement in all instances and to specify the details of the arrangement.

For the state that already has a program, taking on the administration of one or more of those of other states offers potential advantages, including allowing its program to grow faster, accelerating payback of startup costs, and expanding levels of service faster than it might have otherwise.

On the other hand, serving more employers and savers is not free. It would incur additional costs that could adversely affect the original state program's bottom line. Serving more savers without sufficient

[80]William G. Gale and David C. John (2017), "State-Sponsored Retirement Savings Plans: New Approaches to Boost Retirement Plan Coverage," Pension Research Council Working Paper, Pension Research Council, The Wharton School, University of Pennsylvania, Philadelphia, PA. https://pensionresearchcouncil.wharton.upenn.edu/wp-content/uploads/2017/09/WP-2017-12-John-Gale.pdf.

resources also could affect the level of service to in-state savers. The additional resources required to meet the needs of additional savers should be considered, planned for, and negotiated in advance to make sure the program remains fiscally sustainable. A state that wants to use another state's program should anticipate that it may have to cover the startup costs through higher fees or other arrangements for the out-of-state participants, similarly to what is done with the ABLE program.

The receiving state program also must ensure that its standards are met by employers in the adopting state and should require that state to monitor compliance.

There is no guarantee that a new state will continue its arrangement with an already established state program after the term of the initial contract. The contract could have a penalty or other payment if the arrangement is not renewed. The state entity running the overall program must have clear authority in law to enter into a transaction with another state, and the contract negotiated with a new, adopting state must be clear and unambiguous.

There are advantages for a state contracting to use an existing program. The advantages include the ability to cover workers with a retirement savings program much faster and at a lower cost than if the state started its own platform. The contracting state can carefully examine the existing program to see whether the program fits its special needs and to compare the costs of an existing program. If the existing program is in a larger state, the new state's savers could take advantage of much-lower fees and better services than it could support with only its own population of uncovered employees. The platform created by another state also may already have developed the tools and resources that the new state could use to market and explain how the program works for employers and savers. In making these determinations, the new state also must consider its own RFP and contracting procedures.

However, these real advantages must be weighed against potential disadvantages. The state contracting with an existing program must ensure that it will meet its own savers' needs and not inadvertently be subsidizing the savers in the other state. This requires guarantees that the level of service will be equal in both states, and that to the extent desired, both states' savers would receive the same products at a reasonable cost. While it is reasonable for the existing program platform to charge higher fees to the savers in another state, the amount must be fair and carefully negotiated. Furthermore, there must be a clear understanding that the existing program either already has the resources to serve the new savers adequately or will have such resources soon, in addition to an understanding of the cost of creating any extra capacity needed to add the new state and how that cost will be covered. Of course, both standard of service and other factors must be monitored regularly and rigorously.

We do not see a state contracting with another state to run its plan as any different from a state contracting with a private provider, but indications would be welcome that this type of agreement is acceptable from the perspective of both federal regulators and law. Properly structured and managed, expanding an existing state plan to also cover savers in another state has a real potential for improving retirement outcomes at a lower cost to both jurisdictions.

Form Interstate Alliances to Manage a Multi-State Program. Another approach is for states to band together and use a master agreement to build a single system that they would all use, creating a true regional or multi-state program. As noted above, this type of arrangement is currently being used by several states to implement ABLE Act accounts. In theory, this type of arrangement could be used for any of the existing state plan models, although the individual states would almost certainly have to pass enabling legislation. As with the previous model, where a state contracts with another to use an existing program, each state could label the plan used by their employers and savers with its own name and brand. Alternatively, members of the alliance or consortium could all use a single name.

"Another approach is for states to band together… to build a single system that they all would use, creating a true regional or multi-state program…this type of arrangement is currently being used by several states to implement ABLE Act Accounts."

The multi-state platform could offer any of the existing retirement savings account types or a new type of savings arrangement if one is developed. While the consortium could be limited to one type of account, it could also be used to offer several of them (e.g., a payroll deduction IRA, MEP, etc.), with states either offering all the types or picking only one or some to serve their citizens. Regardless, all employers and savers would use a single platform with the same services handled from a central location and, in most cases, all having the same investment choices. It may also be possible for individual states to customize some types of services, while other services are contracted out to a provider that would serve the entire alliance rather than individual states.

The advantages of such an interstate arrangement are clear. Because the plan would serve a great many more savers and employers than a similar single-state (or even two-state) program, startup costs per saver would probably be lower. Administration costs could also be lower, depending on the type of retirement savings accounts offered and how it is managed, and investment balances would also reach higher levels faster. By serving a large population, it would also be possible to offer more services to both savers and employers faster than under a single-state program. In short, an interstate arrangement could allow states to offer their citizens a much-more sophisticated retirement savings platform, potentially with lower costs, than they could create on their own.

However, there are also potential disadvantages to such an arrangement. First, it is important to remember that the interstate arrangement that offers ABLE Act accounts was enabled by a provision in the federal legislation creating those accounts. At this point, a similar arrangement that offered retirement savings accounts does not have that express authorization, so there could be legal questions about certain types of interstate collaborations. It also would be important to ensure that a multi-state arrangement can meet the demands of a much larger population than a single-state program.

Another potential complication with an interstate alliance to manage a multi-state program is that states could differ in how they define employers and employees, and how they identify employers in their states. If these differences exist, they must be addressed in advance to keep costs down and administration effective. In addition, such a situation would require a more-sophisticated platform that could be significantly more expensive and could take longer to build.

Yet another factor to consider is that as part of a group of states, each individual jurisdiction would have less control over the combined platform's actions and policies. Since many more savers and employers would be using the system, services would probably be more impersonal and bound by policies. The likelihood that these problems would arise depends on how well the plan is structured and thought out in advance, as well as the number of states involved and how similarly they see the arrangement working.

Allow Participation in a State's Program by Certain Out-of-State, Non-Plan-Sponsor Employers or Savers. A state that has a retirement savings program could follow the pattern of many Section 529 college savings programs and allow participation by out-of-state individuals or by employers that do not already sponsor a plan. This would enable an employer with employees in multiple states to avoid conflicting or inconsistent rules imposed by various states by choosing a single state's uniform set of rules for its entire multi-state workforce. The employer would send employees' and any employer contributions to the state's program it has chosen, use its investments, and follow its rules. Alternatively, certain state retirement saving programs might go further and allow participation even by employers that have no employees in the state (whether their employees are in one or multiple other states), although this would apply to MEPs and certain payroll deduction IRAs.

Either approach could enable the host state to achieve greater economies of scale, reducing per capita retirement saving costs while benefiting employers and individuals. Employers could select a state program that minimizes their costs or compliance requirements, or one that best meets any specific needs of their workforce.

On the other hand, states might face increased costs from serving people in a much-wider geographic area. Managing a college savings program used mainly by a relatively small number of largely middle-class families is not the same as managing a retirement savings program for thousands of small businesses potentially employing hundreds of thousands of moderate- and lower-income workers. Before making the decision to expand, state-facilitated programs must ensure that they have the resources to adequately serve their new savers.

While analysis of the legal issues potentially affecting state programs covering out-of-state employers or individuals is beyond the scope of this paper, it is clear that much would depend on the type of state program. For example, current DOL guidance would limit state-sponsored MEPs to covering in-state employers and their employees.[81] On the other hand, a state marketplace that simply lists various private-sector retirement savings plans (ERISA plans or non-ERISA arrangements) as options for employers (or individual savers) could allow use by out-of-state employers or savers without facing similar disadvantages. State Auto IRA programs, such as those in California, Connecticut, Illinois, Maryland, and Oregon, which are limited to in-state employers and individuals, might consider agreeing on a few uniform interstate rules to simplify choices for interstate non-plan-sponsor employers.

For example, if more than one state's Auto IRA program might apply to an interstate employer, all such states might agree – in the interest of simplification — that (i) only one state's program will apply to the employer's entire workforce, and (ii) a simple, uniform rule will determine which state's program applies. Such a standard protocol might provide that, by default, the applicable Auto IRA program will be the one maintained by the state in which most of the employer's workforce is located or alternatively, to

[81]Under current DOL guidance, if the state program were a MEP, the state would have to be the sponsor of the MEP for the employers in its state, but multiple state programs could be supported by a single identical platform. For example, Vermont and New Hampshire could both adopt and sponsor MEPs individually or jointly while agreeing to use the same platform for their programs. See 29 CFR Section 2509.2015-02(b) (DOL interpretive bulletin).

avoid any questions, the program implemented the earliest. At the same time, interstate employers could be permitted to override that default by choosing the Auto IRA program of any state in which any portion of a workforce is located.

Given that there are significant differences between state involvement and statutory frameworks in both college savings plans and ABLE on the one hand, and in private sector retirement saving on the other,[82] states should proceed carefully in considering how state retirement saving programs might apply to out-of-state employers and individuals.

Other Considerations for Establishing Multi-State Arrangements: Addressing Variations in State Laws
For states considering multi-state collaboration models, there are other considerations in crafting the details of a multi-state arrangement. Many of them would reflect differences in state laws related to procurement, revenue sharing, data sharing, privacy, and the like, but perhaps the most important consideration would be if one or more states want to terminate the collaboration. These are some of the considerations states should be careful to plan for in entering into multi-state arrangements.

1) The question of geography. In the narrowest sense, a regional plan would involve contiguous states. Ideally, a small-population state could align with a neighboring larger one, or several small-population states that abut each other could join to create a regional plan.

However, with today's technology, multi-state collaboration does not have to be geographically limited. Conceivably, an East Coast state could decide to use the plan of a West Coast state because it best meets the East Coast state's special needs or its plan administration best meets the standards desired by the East Coast state. Several Midwest or southern states could decide to align because they all want to establish the same type of coverage requirement, and a certain existing state plan has a track record of meeting the needs of employers in that situation.

> "[There] are some… considerations states should be careful to plan for in entering into multi-state arrangements."

Rather than limit the definition of "regional," we embrace the wider concept of multi-state collaboration. Any approach that helps more Americans build real retirement security should be encouraged.

2) Contract renewal and termination. The terms for the renewal of any contract must be clear, including the procedure to follow if either state decides to change or terminate the arrangement. The laws governing contracts can vary from state to state, so a clear delineation and understanding of each state's respective powers and responsibilities is essential. Any contract must be unambiguous, especially if there are differences between the details of the retirement savings program offered by each state in the agreement. There also must be well-defined procedures for resolving any disputes.

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[82] Key differences include that the 529 and ABLE statutes provide for the programs to be established and maintained by states, while ERISA takes a very different approach; neither 529 nor ABLE is based on nor has involved extensive employer participation compared to retirement saving; and neither 529 nor ABLE requires any participation by any employers.

3) Revenue sharing. There will be cost considerations for any multi-state collaboration. The existing state program has to make sure it covers the additional costs of expanding to serve the savers in another state. To do so, it may choose to charge higher fees to the savers of another state using its program. However, once the original state program recovers those costs, the fees charged to outside savers should drop to the same level as those paid by in-state savers. In addition, the contract between the states should clearly state how any fees in excess of costs will be shared among the individual states to help pay for marketing, outreach, and other initiatives to support the success of the program. States also must consider whether there are any state-law fiduciary issues regarding the program's fee structure, and how costs and revenues are allocated between participants of different states.

4) Data sharing and privacy considerations. Privacy and data-sharing laws may vary from state to state. As a result, any contract between two or more states must clearly delineate what type of information sharing is allowed in each jurisdiction, and how these requirements will be met. It is possible that these issues can be handled by the program's recordkeeper, but if it is done this way, the contract must also clearly state how compliance with each state's laws about sharing information will be handled and then be monitored by the respective states.

5) Marketing and outreach. Marketing and outreach efforts can play a very important role in the success of multi-state programs. States will have to develop general guidelines for any marketing and outreach initiatives, with program branding — as well as the specific responsibilities for each state — clearly stated, along with expected funding levels and other program details.

6) Compliance and enforcement. The easiest way to deal with compliance and enforcement is for all states in a multi-state arrangement to have the same program requirements and to enforce them in the same way. However, certain states may choose to have different standards and enforcement levels. In either case, when the initial contract is created, consideration must be given to how each state intends to enforce compliance with program requirements. States are likely to make assumptions related to costs and fiscal viability based on a particular level of participation by employers and employees. States will need to recognize any differences and negotiate a mutual understanding about the intent to enforce such requirements in their respective states. In general, a state-level legal analysis should be conducted to ensure compliance with contracting, wage withholding, privacy, and other laws, including a state constitution.

IX. Conclusion

State-facilitated retirement savings programs for private sector workers are already helping many people build retirement security and have the potential to help tens of millions more. Both the employers and individual savers in states that implement such programs will benefit — employers by being able to attract and retain better workers, and savers by having money set aside for retirement in addition to their Social Security benefits. States themselves benefit because workers will have more retirement income and greater financial security, reducing the pressure on government programs to support an aging population with insufficient retirement resources, and contributing to greater economic growth by boosting consumer spending.

A regional or multi-state approach is not essential, but is an option that should be considered. Any state can establish its own, standalone state-facilitated retirement savings program. However, multi-state collaboration could have important advantages. By joining together, states have the potential to offer better services and reduce the cost of building or supporting a retirement savings platform. A multi-state approach of one kind or another can make the process easier and more cost-effective — and can accelerate the date when a program can become self-sustaining and fees can be reduced. This is true regardless of which type of savings program states adopt or which method they use to collaborate.

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APPENDIX. Overview of State Program Characteristics

Secure Choice* Payroll Deduction IRAs					
	Year Enacted	**Employers Covered**	**Default Contribution Level**	**Structure of Accounts**	**Implementation Timeline**
Illinois Secure Choice Savings Program	2015	25 or more employees	5%	Roth IRA	Open; phased rollout ongoing until November 2019
OregonSaves	2015	Employers that do not currently offer qualified plans	5% with annual auto-escalation of 1% until 10%	Roth IRA as default, option for traditional IRA beginning in 2019	Open; phased rollout ongoing until May 15, 2020
Maryland Small Business Retirement Savings Program and Trust	2016	Employers that do not currently offer qualified plans	Not specified	To be determined	Anticipated pilot launch by summer 2019 and full program launch by January 2020
Connecticut Retirement Security Authority	2016	5 or more employees	3%	Roth IRA	To be determined by the Authority
CalSavers	2016	5 or more employees	5% with annual auto-escalation of 1% until 8%	Roth IRA as default, option for traditional IRA	Pilot launched in November 2018 with full program launch scheduled for July 2019
Seattle Retirement Savings Plan	2017	Employers that do not currently offer qualified plans	Not specified	To be determined	By law, contributions to begin between January 1, 2019, and January 1, 2021
New Jersey Secure Choice Retirement Savings Program	2019	25 or more employees	3%	To be determined	By law, enrollment of employees shall begin within 24 months after the effective date, but the date can be extended by up to an additional 12 months.

Open Multiple Employer Plans (“MEPs”)					
	Year Enacted	**Employers Covered**	**Default contribution level**	**Structure of Accounts**	**Implementation Timeline**
Massachusetts Defined Contribution CORE Plan	2012	Nonprofits with 20 or fewer employees	6% with annual auto-escalation of 1–2% until 12%	Defined contribution 401(k) plan	Program launched in October 2017 and open for enrollment
Vermont Green Mountain Secure Retirement Plan	2017	Employers with 50 or fewer employees	Not specified	Defined contribution 401(k) plan	Program launch planned for 2019
Marketplaces					
Washington Small Business Retirement Marketplace	2015	Employers with 100 or fewer employees	Not specified	Currently offers 401(k) and IRA products	Opened for enrollment on March 19, 2018
Voluntary Payroll Deduction IRA					
New York Secure Choice Savings Program	2018	Employers that do not currently offer qualified plans	3%	Roth IRA	To be open for enrollment within 24 months after law is effective; board may delay by additional 12 months

*Require employers meeting certain criteria to offer their employees the state’s retirement savings program unless they choose to offer another type of retirement plan.

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