



GEORGETOWN UNIVERSITY
McCourt School of Public Policy
Center for Retirement Initiatives

State-Facilitated Retirement Savings Programs: A Snapshot of Plan Design Features

State Brief 18-03

November 30, 2018

UPDATE¹

¹ This updates State Brief 18-03, dated August 15, 2018.

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OVERVIEW

Since 2012, 40 states have acted to implement, study, or consider legislation to establish state-facilitated retirement savings programs. At least 16 states and cities introduced legislation in 2018 to address the retirement savings gap among private sector workers. During the 2018 legislative sessions, states and cities continued to lead with new, innovative proposals. Additional detailed information about the progress of state legislative initiatives in 2018 and the status of state-facilitated retirement savings program implementations can be found at <https://cri.georgetown.edu/states>.

11 New Retirement Savings Programs

As of November 30, 2018, 10 states and one city have enacted new state-facilitated retirement savings programs for private sector workers. To date, these new programs have adopted one of these four models:

Mandatory ² Individual Retirement Account (“Auto-IRA”)	Voluntary Payroll Deduction IRA	Voluntary Open Multiple Employer Plan (“MEP”)	Voluntary Marketplace
California	New York	Massachusetts	New Jersey
Connecticut		Vermont	Washington
Illinois			
Maryland			
Oregon			
Seattle			

Most of these states are actively implementing their programs. Five – California, Illinois, Massachusetts, Oregon, and Washington – are now open to employers in 2018. Massachusetts and Oregon opened their programs in late 2017 and Washington launched its retirement marketplace on March 19, 2018. Illinois began its official program rollout after completing a pilot with a small group of employers in May 2018. California began its pilot program on November 20, 2018. Connecticut, Maryland, Vermont, and Seattle also are making progress, but are in the earlier stages of program implementation.

²Mandatory means the program generally requires eligible employers to participate if they do not already offer a qualified retirement plan to their workers. In most cases, the employer can comply by either facilitating employee participation in the state-facilitated program or establishing its own plan.

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Mandatory Individual Retirement Accounts (Auto-IRAs)³

(Listed by date of enactment)

Illinois

Oregon

Maryland

Connecticut

California

Seattle

³On August 30, 2016, the U.S. Department of Labor (DOL) published a final rule related to Savings Arrangements Established by States for Non-Governmental Employees, proposing a new safe harbor for state IRA retirement savings arrangements that would allow for qualifying state programs to be exempt from ERISA. On December 20, 2016, the U.S. Department of Labor published a final rule for qualified state political subdivisions (e.g., cities, counties) that establish payroll deduction IRA savings programs for workers who do not have access to workplace savings arrangements. These rules were nullified using the Congressional Review Act, HJ Res 66 and HJ Res 67, respectively, on May 17, 2017, and April 13, 2017. However, this does not affect the 1975 DOL safe harbor (See 29 CFR 2510.3-2(d); 40 FR 34526 (Aug. 15, 1975)), which lays out the conditions under which voluntary payroll deduction IRAs would be exempt from ERISA.

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Illinois Secure Choice

Year Enacted	2015, as amended in 2016 and 2017
Employer Participation	Mandatory for certain employers, with a 2-year deferral for new businesses. Employers retain the option of providing a qualified plan through the private market.
Employers Affected	Employers with 25 or more employees that have not offered a qualifying retirement plan in the last 2 years.
Administrative Entity	The Illinois Secure Choice Savings Board, chaired by the Treasurer.
Structure of Accounts	Roth IRA
Automatic Enrollment	Yes
Employee Opt-out	Yes
Default Contribution Rate	5%
Employer Contribution	Not permitted
Availability to Other Employers	Yes. Employers with fewer than 25 employees and employers with 25 or more employees that offer qualified plans but wishes to make the program available in addition to the existing plans also can choose to participate in the program.
Investment of Assets	Investment options include target date funds, a capital preservation fund, a growth fund, and a conservative fund. For the first 90 days after the initial contribution is made to an account after enrollment, the default is to hold the money in a money market fund, but participants can select a different fund option immediately. The money market fund is not a separate fund option but a temporary holding vehicle.
Fees	Total expenses cannot exceed 0.75% of the total trust balance.
Implementation Timeline	After rolling out its pilot program in May 2018, the program formally launched on November 15, 2018 implementing a phased enrollment process with the last phase beginning in November 2019. By statute, all employees must be enrolled into the program by December 31, 2020.

OregonSaves

Year Enacted	2015
Employer Participation	Mandatory. Employers retain the option of providing an alternative qualified retirement plan from the private market.
Employers Affected	Employers that do not currently offer qualified plans
Administrative Entity	The Oregon Retirement Savings Board, chaired by the Treasurer
Structure of Accounts	Roth IRA by default, with a traditional IRA option available as an alternative election
Automatic Enrollment	Yes
Employee Opt-out	Yes
Default Contribution Rate	5% with auto-escalation of an additional annual 1% until a maximum of 10% is reached.
Employer Contribution	Not permitted
Availability to Other Employers	Program is available to employers with no employees
Investment of Assets	The program offers three types of investment options: target date funds, a capital preservation fund, and a growth fund. By default, the first \$1,000 in contributions will be invested in the OregonSaves Capital Preservation Fund, with all subsequent contributions to be invested in the OregonSaves Target Retirement Fund, based on the participant's age and year of retirement.
Fees	The Board will charge each IRA a program administrative fee not to exceed the rate of 1.05% per annum.
Implementation Timeline	Two pilots were completed in 2017. The program is now being implemented in phases or "waves" based on the number of employees with the company. However, employers are free to register at any time with enrollment for all eligible employers to be completed by May 15, 2020.

Maryland\$aves

Year Enacted	2016, as amended in 2018
Employer Participation	Mandatory for all employers that pay employees through a payroll system or service, with a 2-year deferral for new businesses. Employers retain the option of providing a plan available through the private market.
Employers Affected	Employers that do not currently offer qualified plans
Administrative Entity	The Maryland Small Business Retirement Savings Board, chair elected by the Board members
Structure of Accounts	One or more payroll deposit IRA arrangements
Automatic Enrollment	Yes
Employee Opt-out	Yes
Default Contribution Rate	The Board will set default, minimum, and maximum employee contribution levels.
Employer Contribution	Not permitted
Availability to Other Employers	Yes, the Board may evaluate and establish the process by which a noncovered employer, an employee of a non-participating employer, or a self-employed individual may participate
Investment of Assets	The Board will establish a range of investment options, including a default investment selection for employees' payroll deposit IRAs. The Board cannot offer options that could result in liability to the state or its taxpayers. When selecting investment options, the Board will consider methods to minimize the risk of significant investment losses at the time of a participating employee's retirement. The Board will consider investment options that minimize administrative expenses and may provide an investment option that provides an assured lifetime income.
Fees	Administrative expenses may not exceed 0.5% of assets under management in the program.
Implementation Timeline	The Board is currently considering a pilot program launch by mid-2019 and statewide program implementation to roll out by 2020.

Connecticut Retirement Security Authority

Year Enacted	2016
Employer Participation	Mandatory. Employers retain the option of providing a plan available through the private market.
Employers Affected	Qualified employers with 5 or more employees that do not currently offer a plan
Administrative Entity	The Connecticut Retirement Security Authority, chair appointed by the Governor
Structure of Accounts	Roth IRA
Automatic Enrollment	Yes
Employee Opt-out	Yes
Default Contribution Rate	3%
Employer Contribution	Not permitted
Availability to Other Employers	Yes. A private employer with 4 employees or fewer may choose to make the program available.
Investment of Assets	Each participant's account will be invested in an age-appropriate target date fund, with the vendor selected by the participant (or program default option) or other investment vehicles as deemed feasible and cost-effective by the Authority. The program will offer qualified retirement investment choices from multiple vendors. Once the participant reaches normal retirement age, 50% of the participant's account will be invested in the lifetime income investment. Participants may elect to invest a higher percentage of account balances in the lifetime income investment. The Authority will designate a lifetime income investment option intended to provide participants with a source of retirement income for life.
Fees	After completion of the fourth calendar year following the program effective date, total annual fees associated with the program cannot exceed 0.75% of the total value of the program assets.
Implementation Timeline	The Authority has decided on a January 1, 2019 implementation date with a phased roll-out of the program.

CalSavers

Year Enacted	2016, as amended 2017
Employer Participation	Mandatory. Employers retain the option of providing an alternative qualified retirement plan through the private market.
Employers Affected	Employers with 5 or more employees that do not already provide a qualified retirement plan and that satisfy requirements for a payroll deposit retirement savings arrangement, and an employer of a provider of in-home supportive services, if determined to be eligible
Administrative Entity	The California Secure Choice Retirement Savings Investment Board, chaired by the Treasurer
Structure of Accounts	According to latest regulations, a Roth IRA is the default, but employees can make contributions to a traditional IRA.
Automatic Enrollment	The Board will disseminate an employee information packet with information about the program and appropriate disclosures, including the mechanics of how to make contributions to the program. Employees must acknowledge that they have read all of the disclosures and understand their content.
Employee Opt-out	Yes
Default Contribution Rate	5% with auto-escalation of 1% per year to be capped at 8% of salary. An employee may opt out of auto-escalation and set his or her own rate.
Employer Contribution	Permitted if would not trigger ERISA
Availability to Other Employers	Yes. Employees of non-participating employers and the self-employed can participate.
Investment of Assets	The program will initially offer a capital preservation fund, a bond fund, a global equity fund, and a suite of target date funds. By default, the first \$1,000 in contributions will be invested in a capital preservation option, with all subsequent contributions to be invested in the target date or target risk suite of investment options.
Fees	On or after 6 years from the effective program date, expenditures from the Administrative Fund cannot exceed 1% of the total Program Fund annually.
Implementation Timeline	The pilot program began on November 20, 2018 with official statewide enrollment to begin in July 2019 and enrollment for all eligible employers to be completed by June 2022.

Seattle Retirement Savings Plan

Year Enacted	2017
Employer Participation	Mandatory. There is a 1-year deferral for new businesses.
Employers Affected	Employers that do not currently offer qualified plans or participate in a multiple employer plan (MEP)
Administrative Entity	The Seattle Retirement Saving Plan Board of Administration, chair appointed by the Mayor
Structure of Accounts	One or more payroll deposit IRA arrangements
Automatic Enrollment	Yes
Employee Opt-out	Yes
Default Contribution Rate	The Board can set default, minimum and maximum rates. The plan must offer default escalation.
Employer Contribution	Not permitted
Availability to Other Employers	The Board can establish participation rules for self-employed individuals or employees who are not eligible to participate in an employer's qualified retirement plan.
Investment of Assets	The Board will establish within the trust several investment funds, each pursuing an investment strategy and policy established by the Board. The Board will establish at least three "core" investment funds, diversified to minimize the risk of large losses under the circumstances and may establish one or more "non-core" investment funds. The Board may, at any time, add, replace, or remove any investment fund. Investment funds may include mutual funds, index funds, collective funds, separately managed accounts, exchange-traded funds, or other pooled investment vehicles that are generally available in the marketplace.
Fees	Not specified. The plan must keep administration fees low, but sufficient to ensure that the plan is sustainable.
Implementation Timeline	Contributions may begin no earlier than January 1, 2019, and no later than January 1, 2021. The Board is currently considering opening the program for enrollment as soon as mid-to late 2019.

Voluntary Payroll Deduction IRA⁴

New York

⁴ New York's voluntary IRA is included here because it is a voluntary program, however, it is assumed to be covered under the 1975 DOL safe harbor (See 29 CFR 2510.3-2(d); 40 FR 34526 (Aug. 15, 1975)), which lays out the conditions under which payroll deduction IRAs would be exempt from ERISA.

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New York State Secure Choice Savings Program

Year Enacted	2018
ERISA Applicability	No
Employer Participation	Voluntary
Employers Affected	Employers that have not offered a qualified retirement plan in the preceding 2 years
Administrative Entity	New York State Secure Choice Savings Program Board
Structure of Accounts	Roth IRA
Automatic Enrollment	The Board may consider use of automatic enrollment as allowed under federal law.
Employee Opt-out	Yes
Default Contribution Rate	3%
Employer Contribution	Not permitted
Availability to Other Employers	Not specified
Investment of Assets	The Board shall establish or authorize a default investment option for enrollees who fail to elect an investment option. The Board may establish or authorize any additional investment decisions that the Board deems appropriate, including but not limited to: a conservation principal protection fund; a growth fund; a secure return fund whose primary objective is the preservation of the safety of principal and the provision of a stable and low-risk rate of return; an annuity fund; a growth and income fund; or a life cycle fund with a target date based upon factors determined by the Board.
Fees	The Board shall allocate administrative fees to individual retirement accounts in the program on a pro rata basis.
Implementation Timeline	This act will take effect immediately. The program shall be implemented, and enrollment of employees shall begin, within 24 months after the effective date of this article. The Board may delay implementation by an additional 12 months if it determines further delay is necessary.

Open Multiple Employer Plans (MEPs)⁵

(Listed by date of enactment)

Massachusetts Vermont

⁵On November 18, 2015, the U.S. Department of Labor issued a final Interpretive Bulletin Relating to State Savings Programs that Sponsor or Facilitate Plans Covered by the Employee Retirement Income Security Act (ERISA) of 1974. The Bulletin outlines those state-sponsored retirement savings programs that would include ERISA-covered retirement plans. These options include a marketplace, prototype plans, and state-sponsored “open” multiple employer plans (MEPs). The following state plans are plans covered by the Interpretive Bulletin.

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Massachusetts Defined Contribution CORE Plan (“CORE Plan”)

Year Enacted	2012
ERISA Applicability	Yes
Employer Participation	Voluntary
Employers Affected	Nonprofits with 20 or fewer employees
Administrative Entity	A not-for-profit defined contribution committee, within the Office of the State Treasurer and Receiver General
Structure of Accounts	Defined contribution 401(k) plan
Automatic Enrollment	Yes
Employee Opt-out	Yes
Default Contribution Rate	6% with an annual auto escalation of 1% or 2%, up to 12%
Employer Contribution	Permitted
Availability to Other Employers	No
Investment of Assets	The Plan offers 11 CORE default target date funds based on expected retirement age and 4 objective base funds: CORE Growth Fund; CORE Income Fund; CORE Inflation Fund; and CORE Capital Preservation Fund.
Fees	For the participant, there is a \$65 annual fee, deducted automatically from participant accounts, and other administrative fees depending on plan elected. For the employer, there is an annual administrative service fee. The law specifies the following fee ranges: Custom Target Date Funds: 22–86 bps; Growth: 60 bps; Income: 40 bps; Capital Preservation: 40 bps; and Inflation Protected: 86 bps.
Implementation Timeline	Program launched in October 2017 and is now open for enrollment.

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Vermont Green Mountain Secure Retirement Plan

Year Enacted	2017
ERISA Applicability	Yes
Employer Participation	Voluntary. The Board may study and make recommendations on methods to increase participation if, after 3 years, there remain significant numbers of residents not covered by a retirement plan.
Employers Affected	Employers with 50 employees or fewer that do not currently offer a plan
Administrative Entity	Green Mountain Secure Retirement Board, chaired by the Treasurer
Structure of Accounts	Defined contribution 401(k) plan
Automatic Enrollment	Permissible. Auto-enrollment of employees will occur once an employer opts to join the MEP.
Employee Opt-out	Yes
Default Contribution Rate	Not specified
Employer Contribution	Permitted
Availability to Other Employers	Yes. The self-employed are eligible to participate. No earlier than one year after implementation, the Board intends to provide options via a clearinghouse/marketplace to individuals who are not eligible to participate, or choose not to participate, in the MEP, or whose employer opted not to join the MEP.
Investment of Assets	Not specified
Fees	Not specified
Implementation Timeline	Program will launch on or before January 15, 2019.

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Marketplaces⁶

(Listed by date of enactment)

Washington New Jersey

⁶On November 18, 2015, the U.S. Department of Labor issued a final Interpretive Bulletin Relating to State Savings Programs that Sponsor or Facilitate Plans Covered by the Employee Retirement Income Security Act (ERISA) of 1974. The Bulletin outlines those state-sponsored retirement savings programs that would include ERISA-covered retirement plans. These options include a marketplace, prototype plans, and state-sponsored “open” multiple employer plans (MEPs). The following state plans are ones covered by the Interpretive Bulletin.

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Washington Small Business Retirement Marketplace

Year Enacted	2015, as amended 2017
ERISA Applicability	ERISA cannot apply to the state for operating the marketplace, but ERISA plans are allowed in the marketplace and normal ERISA requirements would apply to participating employers.
Employer Participation	Voluntary
Employers Affected	Fewer than 100 employees
Administrative Entity	State Department of Commerce
Structure of Accounts	SIMPLE IRA; myRA ⁷ (Roth IRA); payroll deduction IRA and ERISA plans can be added. May also offer “life insurance plans designed for retirement purposes.”
Automatic Enrollment	No state requirement, but employers may auto-enroll as IRS rules allow
Employee Opt-out	Voluntary employee participation
Default Contribution Rate	Not specified
Employer Contribution	Permitted if an ERISA plan option.
Availability to Other Employers	Yes. The self-employed and sole proprietors are eligible to participate in the marketplace.
Investment of Assets	The marketplace currently offers 5 types of 401(k) plans from Saturna Trust Company and, a Roth and a traditional IRA from Finhabits. It will continue to work with financial services firms to bring in a greater variety of plans.
Fees	No more than 1% in total annual fees to investors. Participating employers may not be charged an administrative fee. Financial services firms may charge enrollees a de minimis fee for new and/or low-balance accounts in amounts negotiated and agreed upon by the Department and financial services firms. No later than September 2020, the department will evaluate the ongoing need to allow de minimis fees to be charged to enrollees. Fees associated with products offered in the marketplace can be found on the Retirement Marketplace website.
Implementation Timeline	Launched on March 19, 2018

⁷See footnote 3.

New Jersey Small Business Retirement Marketplace

Year Enacted	2016
ERISA Applicability	ERISA cannot apply to the state for operating the marketplace, but ERISA plans are allowed in the marketplace and normal ERISA requirements would apply to participating employers.
Employer Participation	Voluntary
Employers Affected	Employers with fewer than 100 employees.
Administrative Entity	Office of the State Treasurer
Structure of Accounts	SIMPLE IRA; myRA ⁸ (Roth IRA); payroll deduction IRA and others can be added. Shall also offer “life insurance plans designed for retirement purposes.”
Automatic Enrollment	No state requirement, but employers may auto-enroll as IRS rules allow
Employee Opt-out	Voluntary employee participation
Default Contribution Rate	Not specified
Employer Contribution	Permitted if an ERISA plan option
Availability to Other Employers	Yes. The self-employed and sole proprietors are eligible to participate in the marketplace.
Investment of Assets	Firms participating in the marketplace shall offer a minimum of 2 product options, including a target date or other similar fund and a balanced fund.
Fees	No more than 1% in total annual fees to enrollees. Participating employers may not be charged an administrative fee.
Implementation Timeline	Not specified

⁸See footnote 3.

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