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Webinar | February 9, 2023

Closing the Access Gap: What Can We Expect from SECURE 2.0 and State-Facilitated Retirement Savings Programs?

A Review of Progress and the 2023 Outlook

The Georgetown Center for Retirement Initiatives State-Facilitated Retirement Savings Programs Clearinghouse for Resources





Panelists: (in order of presentation)

- Will Hansen, Chief Government Affairs Officer, American Retirement Association
- Chad Mullen, Director, Financial Security, AARP
- Chad Parks, CEO, Ubiquity Retirement + Savings
- Jessica Muirhead, Executive Director, MyCTSavings
- **Glenn Simmons**, Executive Director, Maryland\$aves
- William (Hunter) Railey, Executive Director, Colorado SecureSavings Program

Moderator:

• Angela Antonelli, Research Professor and Executive Director, Center for Retirement Initiatives



Will Hansen

Chief Government Affairs Officer American Retirement Association







SECURE 2.0

What Must I do by December 31, 2023?

- Catch-up Contributions Required to be Roth
 - Effective for plan years beginning 1/1/24
 - If individual earns less than \$145k in prior year, not subject to Roth requirement
- New Long-time Part-time Employee Requirement
 - 500 hours or more for <u>three</u> consecutive years starting 1/1/24 then <u>two</u> consecutive years starting 1/1/25
 - Individual must be eligible to defer into retirement plan (no ER contributions required, not included in testing)



SECURE 2.0

What May I Do Starting January 1, 2024

- Starter 401(k)
 - Super Simple 401(k) Plan with NO Employer Contributions; No Discrimination Testing; Must Auto-Enroll Employees at 3%
 - <u>Complement State Programs Not Compete</u>
- Student loan matching program
- Distributions for emergency expenses
 - Up to \$1k Allowed Per Year for Emergencies; Self-Certified; Amount Must be Repaid Prior to taking Subsequent Distribution in Next 3 Years
- Pension linked emergency savings accounts
 - If adopted, must auto enroll at 3% and match contributions to the account (match dollars go to 401(k) account); \$2500 max in account; HCEs not allowed to contribute

SECURE 2.0 Savers' Match

- Changes tax credit to government match regardless of tax liability
- Contributed directly into the plan account or IRA of the taxpayer (unless < \$100)
- 50% match on contribution up to \$2k per person
- Match phased out between \$41-\$71k for joint filers (half for singles)
- Effective in 2027
- <u>State SECURE Choice Should Promote</u>



Chad Mullen

Director, Financial Security

AARP



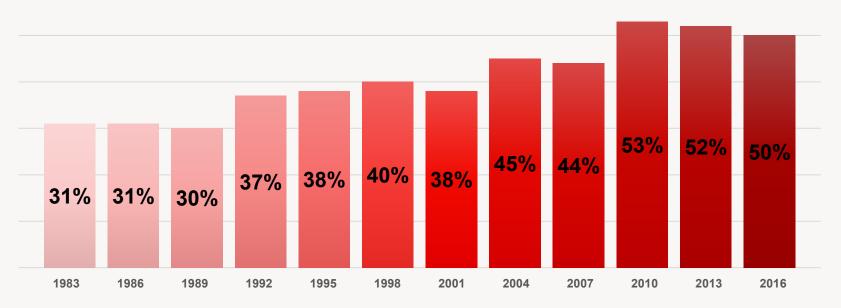
Retirement Security

Work and Save Around the Country



Financial Insecurity Risk on the Rise

Households at Risk of Insufficient Retirement Savings





Source: Center for Retirement Research, National Retirement Risk Index 1983 -

2016

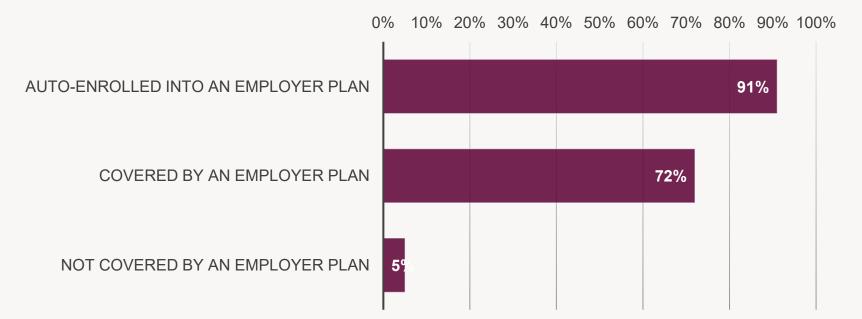
Lack of Access to Workplace Retirement Plans





Can't People Already Save If They Want To?

Participation Rates



Source: Data compiled by AARP's Public Policy Institute from unpublished estimates from the Employee Benefit Research Institute of the 2004 Survey of income and Program Participation Wave 7 Topical Module (2006 data). See also Brookings' Retirement Security Project, and WhiteHouse.gov. Automatic enrollment data estimates provided by Vanguard.



What is Work and Save?



• **Public-private partnership** to help workers save out of regular paycheck

• **Self-sustaining** – no ongoing costs or risks for employers or the state

• **Easy for Employers**: they just add a line-item payroll deduction and share information with employees

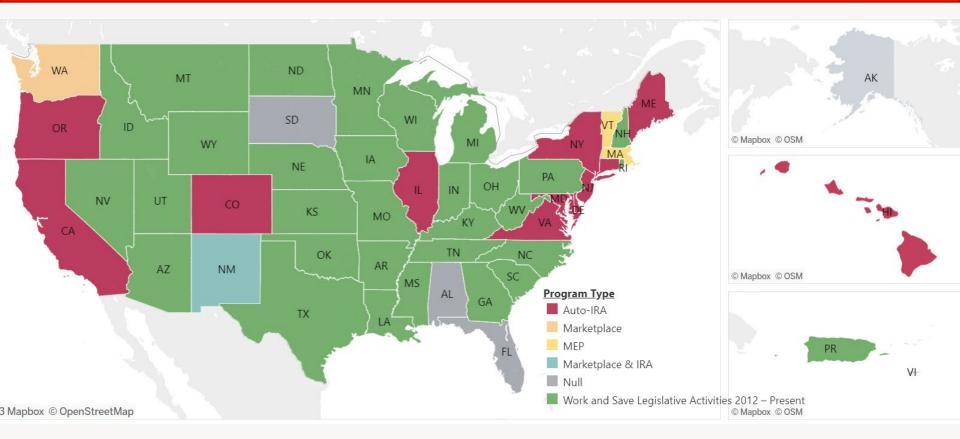


Program Design Features

Employees are 15 times more likely to save for **Automatic** retirement when they have access to a way to save at **Enrollment** work, and 20 times more likely when they are automatically enrolled. By allowing employers to decide whether or not to participate and allowing employees the choice to opt-Voluntary out at any time, the program is completely voluntary and participants have full control over their participation. Employees take their retirement savings with them Portability when they leave a job.



A National Movement: 2023



Current State-Facilitated Programs

Automatic IRA

- ➤ California
- Colorado
- Connecticut
- ➤ Delaware
- ≻ Hawaii
- ➢ Illinois
- ➤ Maine
- ➤ Maryland
- ≻ New Jersey
- ≻ New York
- ➢ Oregon
- ➢ Virginia

Voluntary IRA

➢ New Mexico

Marketplace

- ➢ New Mexico
- ➤ Washington

MEP (Multiple Employer Plan)

- Massachusetts
- ➢ Vermont



Work and Save Success







5% or more

average contribution rate





Looking Forward: What's Next?



New state programs passed around the country as well as program improvement/expansion to include more savers.

Conservative States

Increased awareness and interest from more conservative states building upon bipartisanship in other states, enthusiasm for fiscal responsibility and long-term savings by helping people save their own money for retirement.

Partnerships

Collaboration between states to increase economies of scale, streamline processes, and keep costs low.





Jessica Eckman Government Affairs Director, AARP jeckman@aarp.org

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



Chad Parks

Founder & CEO

Ubiquity Retirement + Savings



Jessica Muirhead

Executive Director

MyCTSavings



H MyCTSavings Building Retirement Security

110

More than 600,000 private-sector workers in Connecticut don't have access to an employer-sponsored retirement savings plan.

Part-time

employees

are **more likely to be women**¹ and **less likely** to have access to a retirement plan²

¹ U.S. Beaureau of Labor Statistics. "Who chooses part-time work and why?" Mar 2018, https://www.bls.gov/opub/mlr/2018/article/who-chooses-part-time-work-and-why.

²U.S. Beaureau of Labor Statistics. "Employee Benefits in the United States – March 2022" 22 Sept 2022, https://www.bls.gov/news.release/pdf/ebs2.pdf

women are 80% MORE LIKELY to live in poverty in retirement³

³ "AARP, Ad Council Team Up to Boost Women's Retirement Savings.' Capital One, 26 Oct. 2021, https://www.aarp.org/retirement/planningfor-retirement/info-2021/we-say-save-it-campaign.html/ "It has given us another benefit for our staff that I never would have been able to do otherwise." — Leyla, Owner

How It Works: MyCTSavings in Three Easy Steps



Who's It For?

• Employers: Participation Required

5+ employees as of October 1st last year At least 5 employees were paid \$5K or more Don't already offer a retirement savings plan

• Employees: Auto-Enrolled with Option to Opt-Out

19+ years old Work at employer for 120+ days Employed in Connecticut



Employer Registers

Eligible employers register on the secure portal and send only the necessary employee information to the program.



Program Sets Up Saver's Account

The program sets up a Roth IRA account for the employee and contacts the employee directly. The employee can either: (1) do nothing and be automatically enrolled into default contributions, (2) change their contribution selections, or (3) opt out.



Employer Submits Payroll

The employer submits employee contributions on their payroll cycle. Employees can change their contributions at any time.

MyCTSavings

Implementation

Rollout Dates & Timeline

October 2021 – April 2022

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Nave 1

100+ Employees April — June 2022

Wave 2

26-99 Employees August — October 2022

> Wave 3 5-25 Employees January — March 2023

CT Program Updates

	As of 2/7/2023
Total Employers	29,520
Registered Employers	1,108
Exempt Employers	5,961
Funded Saver Accounts	7,887
Total Saver Assets	~\$2.3 million



MyCTSavings

Glenn Simmons

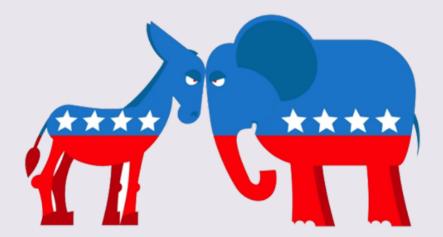
Executive Director Maryland\$aves



Introducing

MARYLAND \$AVES

A bipartisan Legislative Committee was able to create legislation that created the framework for MarylandSaves in 2016.





The leading Republican Senator on the Committee, who was also in the financial services industry, understood the need for an automatic retirement savings program, but objected to yet another small business mandate.





DOL regulation at the time created a "safe harbor" for auto (opt-out)-IRAs that was limited to mandatory state and local governmentfacilitated savings programs.





The compromise was to create a program with a unique feature an incentive (exemption from Maryland's \$300 annual business registration fee), coupled with mandatory language, but with no penalty for non-compliance (other than not getting the benefit of the \$300 annual fee waiver).





MarylandSaves – The Vote



Senate - April 4, 2016 - Passed (46-0)9

Vote	Tally	Democrat	Republican	
Yea	46	32	14	
Nay	-	-	-	
Not Voting	-	-	-	
Absent	1	1	-	
TOTAL	47	33	14	

House of Delegates and – April 6, 2016 – Passed (97-41)¹⁰

Vote	Tally De	mocrat	Republican	
Yea	46	32	14	
Nay	-	-	-	
Not Voting	-	-	-	
Absent	1	1	-	
TOTAL	47	33	14	

Signed by Gov. Hogan (R) on May 10, 2016



MarylandSaves was created to make it **free** and **easy** for employers to make a retirement program available to their employees and be in compliance with the new law.





About MarylandSaves

A new retirement savings program sponsored by the state of Maryland's Small Business Retirement Savings Program

Designed to help employees reach their financial goals with easy, automatic payroll contributions to a Roth IRA

Free and easy—your role is simply to facilitate the program and maintain accurate employee records, plus if you participate in MarylandSaves or offer another qualified retirement program, you will receive a waiver for your SDAT annual report filing fee **EVERY YEAR**.

Who's it for?

Employers Participation Required

- If you don't currently offer a retirement savings plan and pay employees through an automated payroll system
- For registered Maryland businesses, founded on or before January 1, 2021, and have at least one W-2 employee

Employees Participation Voluntary

- Automatically enrolled with the option to opt-out
- Must be 18 years or older
- Must be employed in the state of Maryland

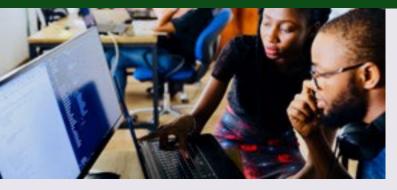
*Most individuals who earn more than \$144,000 per year aren't legally allowed to contribute to Roth IRA. For more information see IRS Publication 590-A.



What It Means for Employers – Greatly Reduced Administrative Tasks

Employer Tasks and Responsibilities	Retirement Plan	MarylandSaves
Draft and adopt plan documents	\checkmark	
Develop investment policy	\checkmark	
Select plan administrator and investment manager	\checkmark	
Choose investment options	\checkmark	
Assume legal duty to act in participants' best interests	\checkmark	
Upload list of participating employees to administrator	\checkmark	\checkmark
Select plan options for contributions, distributions, eligibility	\checkmark	
Obtain IRS letter that plan satisfies federal law and rules	\checkmark	
Audit plan financials	\checkmark	
File annual return with IRS, DOL	\checkmark	
Provide disclosures to participants and beneficiaries	\checkmark	
Test to ensure benefits do not favor the highly paid	\checkmark	
Answer participant and beneficiary questions	\checkmark	
Process distributions	\checkmark	
Monitor plan administrator and investment managers	\checkmark	
Amend plan documents for changes in pension law	\checkmark	
Process payroll deductions and send to investment manager	\checkmark	✓

Your Role in Three Easy Steps



Your role is to simply <u>facilitate the</u> program

Many employers will automatically receive an activation code from MarylandSaves when it's time for them to register or claim their Annual Report Filing Fee exemption.

If you don't have an access code, you can request one at marylandsaves.com

Works with your payroll processes and can be managed by payroll providers.

More payroll integrations will be added soon.





Set Up Upload payroll and employee info to the system



Update

Keep staff lists up to date and submit your employees' savings contributions

• MarylandSaves officially launched on September 15, 2022

	As of 2/7/23
Registered Employers	1,289
Exempt Employers	1,969
Funded Accounts	1,767

William (Hunter) Railey

Executive Director

Colorado SecureSavings Program



Colorado SecureSavings Program: Basics

- Required for employers with:
 - Five or more employees
 - Two or more years in business
- Employee definition:
 - Must 18 years old or older
 - Employed for 180 days or more
- Employer requirements:
 - Register, enroll, and remit contributions
- Default contribution: 5%, 30 days in money market then into age appropriate target date fund.







Colorado SecureSavings Program: Timeline

Official program launch in January 2023:

- Pilot of 20+ employers began in October 2022
- Enforcement begins February 2024

Number of employees	Registration deadline
Employers with 50 or more employees	March 15, 2023
Employers with 15 to 49 employees	May 15, 2023
Employers with 5 to 14 employees	June 30, 2023

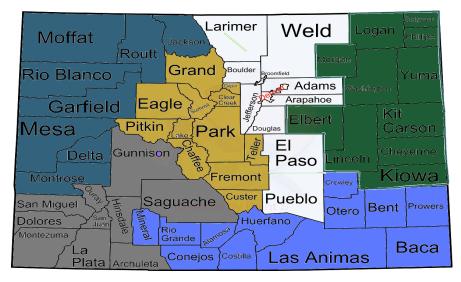




Colorado SecureSavings Program: Implementation

- Outreach officially began in May/June of 2022:
 - Regional Approach
 - Messaging tailored to geographic region
- Formal marketing began in January 2023:
 - Paid & earned media
- Early enrollment:
 - Nearly 500 employers registered
- Multistate Partnership:

Governance approved by CSSPB in September 2022







QUESTIONS?



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