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The Case for Multi-State Collaboration: How State-Facilitated Retirement Savings Programs Are Beginning to Design and Evaluate Partnership Models

Angela Antonelli and Emily Gorny

In the United States today, almost one-half of the private sector workforce — an estimated 57 million workers, according to the Georgetown University Center for Retirement Initiatives (CRI) — does not have access to an employer-sponsored retirement savings plan.[1] This access gap puts workers at greater risk of insufficient retirement savings because people are 15 times more likely to save for retirement if they have access to a plan at work.[2] The cost of doing nothing to address this lack of retirement savings will be enormous for future generations, with projected budget expenditures of $964 billion for the federal government and $334 million for state governments between 2021 and 2040 due to insufficient retirement savings.[3]

The reality is that employers in the United States are not required to offer retirement plans to their employees, and too many private sector workers do not have enough saved for retirement. When examined by factors such as income, gender, and race, the inequities are even more troubling.[4] For example, retirement savings drastically differ by income, with only 1 in 10 low-income, older workers having a retirement account balance, compared to 9 in 10 high-income older workers.[5] Women have a median 401(k) account balance that is 65% lower than that of men, reflecting a significant gender gap in retirement savings.[6] When analyzing retirement savings by race, people of color face particularly staggering challenges, including being less likely to be covered by an employer-sponsored retirement plan or have dedicated retirement savings.[7]

To date, 19 states have adopted state-facilitated retirement savings programs, and 16 of them require employers who do not have a retirement plan to facilitate the automatic enrollment of their workers into an individual retirement account (auto-IRA).[8] As of February 2024, state programs have accumulated $1.34 billion in assets, with more than 845,000 funded accounts and 212,000 registered employers.[9] The programs are intended to be self-sustaining over time, using fees to help cover program costs.

In 2018, the CRI published a policy paper suggesting that multi-state partnerships could help these state-facilitated retirement savings programs achieve scale and financial stability sooner, taking lessons from existing ABLE (Achieving a Better Life Experience) and

[1] Antonelli, Angela (2020). "What are the Potential Benefits of Universal Access to Retirement Savings?," Georgetown University Center for Retirement Initiatives with Econsult Solutions, Inc.
[2] Harvey, Catherine (2016). "Access to Workplace Retirement Plans by Race and Ethnicity," AARP, page 1.
[3] Blevins, Andrew and Scott, John (2023). "State Automated Retirement Programs Would Reduce Taxpayer Burden from Insufficient Savings," The Pew Charitable Trusts.
[4] U.S. Department of Labor Advisory Council on Employee Welfare and Pension Benefit Plans (2021). "Gaps in Retirement Savings, Based on Race, Ethnicity and Gender."
[5] U.S. Government Accountability Office (2023). "Older Workers: Retirement Account Disparities Have Increased by Income and Persisted by Race Over Time."
[6] Banerjee, Sudipto (2023). "Closing the Gender Gap in Retirement Savings," T. Rowe Price.
[7] Rhee, Nari (2013). "Race and Retirement Insecurity in the United States," National Institute on Retirement Security.
[8] Georgetown University Center for Retirement Initiatives (2024). "2024 State Program Status."
[9] Georgetown University Center for Retirement Initiatives estimates from state program data publicly available or provided by a state to the CRI; view current year program data at https://cri.georgetown.edu/states/state-data/current-year/.

college 529 savings programs.[10] Smaller states that have recently enacted new programs, such as Maine, Delaware, and Vermont, may find it more cost-effective to consider partnerships than to administer programs on their own. The early experiences of a few states to forge the first-in-the-nation multi-state partnership provide some initial best practice models for how states might consider such arrangements.

Strength in Numbers: The Case for Multi-State Partnerships

A multi-state partnership offers a variety of benefits that can improve a state's ability to administer an auto-IRA retirement savings program. A state partnership can help a new program launch more quickly because it can take advantage of the existing infrastructure of another state's established program.

States and program participants can see cost benefits from a partnership in two important ways. First, states can reduce startup fees by avoiding the need for some procurements and contracts, reducing legal and other costs, and beginning to scale programs faster due to reductions in timelines to launch. Second, savers benefit from lower fees over time as costs are spread over a wider population. This has been seen as particularly advantageous for small states, but clearly could benefit states of any size.

As outlined in the CRI paper in 2018, college 529 and ABLE programs have forged three different kinds of multi-state arrangements:[11]

1. An established state developing and administering multiple state programs;
2. An interstate alliance that structures and administers state programs together; or
3. A state allowing employees and employers from another state to join their program.

For states contemplating forming or entering a partnership among state-facilitated retirement savings programs, there are several criteria to consider when determining the type of arrangement to adopt. States should prioritize the considerations that will best serve their programs and participants, and it is possible to design more than one approach. To date, the Colorado Partnership for a Dignified Retirement (PDR) with Maine and Delaware is the first model adopted and implemented between two or more states and the first partnership of its kind for state-facilitated retirement savings programs.

Colorado's Partnership for a Dignified Retirement with Maine — The First Partnership Agreement

The Colorado SecureSavings Program saw the value in partnering with other states from early program inception. Indeed, the Colorado program anticipated the potential for partnerships right from the start when it issued its Request for Proposals (RFP) for a program administrator for its new Partnership for a Dignified Retirement. In its RFP, Colorado made it clear it was interested in seeking program administrators that would be able to build and support partnerships between Colorado and other states.[12] Making this decision allowed Colorado to not only move quickly to launch its own program, but also to immediately begin discussions with other states.

The first state and program considered for partnership was New Mexico's Work and Save program, a voluntary payroll deduction IRA and marketplace program design. Colorado and New Mexico began discussing the potential of partnership before Colorado issued its RFP for program administration services. The two states signed a Memorandum of Cooperation (MoC) in November 2021, solidifying their intent to explore a partnership.[13] Negotiations conducted under the terms of the MoC resulted in the Colorado SecureSavings Program Board approving its Interstate Adherence

[10] Antonelli, Angela M., Iwry, J. Mark, and John, David C. (2019). "Achieving Economies of Scale in State-Facilitated Retirement Savings Programs," Georgetown University Center for Retirement Initiatives.
[11] Antonelli, Angela M., Iwry, J. Mark, and John, David C. (2019). It is important to note that not all of these may be readily transferable to state-facilitated retirement programs; they are presented for consideration.
[12] State of Colorado Department of Treasury (issued February 7, 2022). "Request for Proposals (RFP): Program Administration Services for the Partnership for a Dignified Retirement RFP-TRES-NP-22-001." The RFP referenced the new Partnership for a Dignified Retirement — its structure and related agreements — for consideration by potential bidders.
[13] Colorado SecureSavings Program Board and New Mexico Work and Save Board (2021). "Memorandum of Cooperation."

Agreement in September 2022 detailing the governance terms of the partnership model. However, it soon became clear that New Mexico would not be ready to move forward with a partnership due to unforeseen challenges. Thus, any prospects for establishing a partnership have since remained on indefinite hold.[14]

Around this same time, Maine enacted its own new auto-IRA program, subsequently branded as the Maine Retirement Investment Trust (MERIT), and began considering the possibility of partnering with another state. Given its small eligible population of approximately 207,000 employees,[15] Maine understood it could be more challenging to establish its own standalone program.

The Colorado and Maine partnership process has become an important model and milestone in the evolution of state-facilitated retirement savings programs. Because of Maine's interest in partnering with another state, Colorado worked collaboratively with Maine and other states to continue to refine and establish its interstate partnership model. Colorado had already branded its partnership model, establishing its Partnership for a Dignified Retirement (PDR) in early 2022. The PDR would serve as a multi-state consortium of auto-IRA programs governed by Interstate Agreements with partner states.

Colorado — as the lead state — executes a Master Services Agreement with the contractor providing program administration services, while each partner state signs a Memorandum of Cooperation and an Interstate Agreement with the lead state.[16] PDR meetings are led by a chair who is responsible for appointing a member state as secretary. All the partner states facilitate the collaboration, communication, and decision-making of the PDR. This includes monitoring the performance of the program administrator and the investment portfolio and voting on changes to the PDR or member states. States retain individual responsibilities for governance and oversight, staffing, marketing and outreach, enforcement of employer participation requirements, and state reporting.

Vestwell, in partnership with BNY Mellon, serves as the program administrator for the Colorado PDR, providing recordkeeping, custodial, and administrative services. As part of the partnership arrangement, each partner state and Vestwell also must agree to execute a separate Partner State Addendum to the Master Services Agreement. In addition, participating states agree to use the same investment portfolio, which is currently managed by State Street Global Advisors and BlackRock. However, the programs currently do not have to share other consultants; for example, Colorado has a contract with Segal Marco Advisors and Maine has a contract with Meketa. Colorado uses the AKF Consulting Group as its program consultant, while Maine retains its own vendors to help it manage its program responsibilities, such as maintaining its own program branding consultant and legal counsel.[17] Most of the administrative streamlining comes from using the same program administrator and agreeing to the same investment portfolio.

Key to the ability to forge such partnerships is the ability of a program administrator to support such efforts. As Maine State Treasurer Henry Beck explained, "Here in Maine, we are excited about this innovative partnership with Colorado to promote savings. Vestwell has made this multi-state effort possible."[18] To date, there are only two primary program administrators serving state-facilitated auto-IRA programs: Vestwell and Ascensus. Whether the scale and efficiencies of the creation of one or more partnerships will help to attract additional recordkeepers into the state-facilitated retirement savings program market remains to be seen.

Maine already has seen benefits from entering its state partnership with Colorado and using Colorado's program vendors. In a joint press release, the

[14] Because the New Mexico program is a voluntary payroll deduction IRA version, the decision to partner was put on hold pending legislative efforts to amend the program and make it more closely aligned with the auto-IRA design of the Colorado SecureSavings Program.
[15] Antonelli, Angela (2021). "State Benefits of Expanding Access to Retirement Savings," Georgetown University Center for Retirement Initiatives in conjunction with Econsult Solutions, Inc.; Maine profile.
[16] State of Colorado Department of the Treasury (2023). "Master Agreement Terms and Conditions: Program Administration Services for the Partnership for a Dignified Retirement."
[17] Georgetown University Center for Retirement Initiatives (2024). "Vendors Serving State-Facilitated Retirement Savings Programs." The PDR states continue to explore the possibility of sharing consultants and other efficiencies.
[18] Vestwell (2023). "Vestwell Launches First Multi-State Retirement Program."

partnership between Colorado and Maine was described as "[r[epresent[ing] the next step in extending low-cost, portable retirement savings options to workers without access to a savings program."[19] According to Elizabeth Bordowitz, executive director of MERIT, "the primary factors [of entering a partnership] were being able to lower costs for account owners in the program … and being able to bring a program online faster."[20] The partnership has been successful in this regard, allowing MERIT to accelerate its program registration deadline for businesses with 15 or more employees from September 30, 2024 to April 30, 2024 and the deadline for businesses with five to 14 employees from December 31, 2024 to June 30, 2024.

Maine also has seen benefits in reduced program fees because of their state partnership, matching Colorado's fees, despite Maine being a significantly smaller state in population size. As of now, all the auto-IRA programs currently use a hybrid fee-based structure to cover program administration, state expenses, and the costs of the underlying investment funds. This type of structure uses both asset-based fee basis points (bps) and dollar fees, with asset-based fees required for participation in the PDR.[21]

As a result of the partnership with Colorado, Maine has been able to maintain lower fees than some of the other existing state programs, despite the state's lower overall number of savers. Both Colorado and Maine have asset-based fees of 15 bps for the program administrator and 5 bps for the state. Colorado has a $22 fixed fee per account for the program administrator, while Maine has this same fee plus an additional $4 state fee per account to help cover program costs. Comparatively, other states have asset fees per account that range from 15 to 25 bps for program administrators and 0 to 25 bps for states. Dollar fees per account range from $14 to $24 for program administrators and $0 to $6 for states.[22] The ability to maintain lower program fees is a demonstrable benefit of partnerships.

Criteria Used by States to Evaluate State Partnership Options

As interest in state partnerships grows among states, the experience of states to date provides some initial best practice models. Two program states have undertaken a process for evaluating their options for partnering with an existing state program: MERIT and the Delaware Expanding Access for Retirement and Necessary Savings (EARNS) Program. MERIT analyzed their potential partnerships in a three-fold process of sustainability modeling, the suitability of the investment portfolio, and working group discussions with potential partners. Meanwhile, Delaware EARNS issued a Request for Information (RFI) to solicit ideas and interest from potential partner states.

MERIT

MERIT began considering a state partnership in late 2022 after its governing board adopted a resolution authorizing the program to explore such an option. MERIT's executive director met with the directors of programs who were interested in forming a partnership and established a MERIT working group of board members to assist in evaluating partnership options, including financial feasibility. The Pew Charitable Trusts analyzed program sustainability using the fee structures of potential partners. As an investment advisor for MERIT, Meketa assisted with developing a program investment policy statement and evaluating the suitability of potential program partners. Meketa also analyzed the appropriateness of the investment portfolios offered by five states — Colorado, Connecticut, Maryland, Oregon, and Virginia — based on their investment options, service providers, and fees.

The working group then reviewed the Pew model, Meketa analysis, and working group conversations with potential partners, and narrowed down the choices to Colorado and Oregon.[23] Colorado had an advantage over other states at the time because, as noted, it had already developed a more formal partnership

[19] Colorado SecureSavings Program and MERIT (2023). "Colorado and Maine Enter First-in-the-Nation Partnership for Automatic Retirement Savings."
[20] Steyer, Robert (2023). "Maine's Auto-IRA Gears Launch After Delay," Pensions & Investments.
[21] Georgetown University Center for Retirement Initiatives (2024). "Fee Structures Across State Programs."
[22] Georgetown University Center for Retirement Initiatives (2024). "Fee Structures Across State Programs."
[23] Maine Retirement Savings Board (2023). "April 19, 2023 Board Meeting Minutes."

arrangement with a defined governance structure and working draft partnership agreement. Ultimately, the MERIT board recommended the program negotiate an agreement to enter the Colorado PDR, and the process was completed in August 2023.[24] The MERIT program launched its pilot program two months later, in October 2023, and the program opened to all eligible employers in January 2024.

Delaware's Expanding Access for Retirement and Necessary Savings (EARNS) Program

The Delaware EARNS program chose to use an RFI, sent to existing program states and asking them to respond if they were interested in possibly partnering with Delaware. The RFI (see Appendix) outlined the specific criteria Delaware would consider when seeking to enter a state partnership. Delaware asked potential partners to respond to questions that addressed their six key evaluation criteria: experience, governance, costs to participants, costs to the state, marketing, and investments. Delaware received proposals from five program states: Colorado, Connecticut, Illinois, Maryland, and Virginia.

The criteria outlined by Delaware can serve as a model for other states.[25] When evaluating experience, Delaware considered whether a state already had any established partnerships and whether another state's laws would be consistent with their own. When evaluating program governance, Delaware assessed the clarity of how a state outlined the terms of interstate collaboration and governance and preferred potential partners that offered partner states a greater voice in decision-making. When evaluating costs, Delaware sought potential partners that would offer lower potential costs to participants and to the state and would not ask for any revenue sharing. Delaware considered marketing and program implementation support as one criterion, evaluating states on the strengthen of their existing program marketing efforts, and their ability to streamline program implementation and administration. Finally, Delaware evaluated the investment portfolios of potential partners states, taking into consideration the investment options, fees, and service providers.

After evaluating the state program proposals across the six criteria, Delaware ranked Colorado's Partnership for a Dignified Retirement as its top choice. By December 2023, Delaware EARNS had completed negotiating the details of its partnership agreement with Colorado and its program administrator, Vestwell. The Delaware EARNS program is currently scheduled to open to all eligible employers on July 1, 2024 — six months before its statutory deadline of January 1, 2025, after a pilot test period that will run from May 1, 2024 through June 30, 2024. The fees for the program will be the same as the MERIT program (asset-based: 15 bps to the program administrator and 5 bps to Delaware; dollar fees: $22 to program administrator and $4 to the state).

Conclusion

State-facilitated retirement savings programs have undoubtedly been successful in increasing access to retirement savings for private-sector workers and closing the access gap. As state programs have become more established, the creation of multi-state partnerships is the next evolution and will serve to strengthen these programs through scale and administrative efficiencies, benefiting states and savers alike.

The criteria for consideration when seeking to form or enter a partnership may have to look different for each state. These criteria must be shaped by a state's particular goals and needs, as well as legal and regulatory requirements. For example, the Colorado and New Mexico partnership that was initially considered was viewed as potentially beneficial, not only because of New Mexico's smaller size, such as the case with Maine and Delaware, but also because of their shared border and the movement of workers across that border.

Looking to the future, newer program states, such as Minnesota, Nevada, and Vermont, are much more likely now to consider interstate partnerships. In early April 2024, Vermont announced its intent to enter negotiations with the Colorado PDR.[26] If an agreement is completed in a timely manner, it is possible the new Vermont Saves program could launch its pilot no later

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[24] Colorado SecureSavings Program and MERIT (2023). "Colorado and Maine Enter First-in-the-Nation Partnership for Automatic Retirement Savings."
[25] State of Delaware Office of the State Treasurer (2023). "Request for Information for Potential Interstate Collaboration."
[26] View press announcements for the State of Vermont, Office of the State Treasurer, at https://www.vermonttreasurer.gov/content/press-releases.

than the fall 2024 with a full program launch before the end of 2024.

States such as Maine and Delaware have offered some initial approaches for how other states can develop their own processes for evaluating whether a partnership will work best for them. States should take the time to set clear criteria tailored to their specific needs and to explore what different existing state programs have to offer in a partnership.

While the Colorado Partnership for a Dignified Retirement has helped forge the path forward, it is possible that different partnership models involving other states could develop over time, creating something similar in nature to the multiple consortia seen with state ABLE programs. Program administrators also play a very important role in administering any partnership, and states should keep channels of communication open with such key stakeholders, which are critical to the success of partnership arrangements. The newest state programs would be well served by learning from what has been done, while being open to exploring new partnership models and the possibilities of partnering with other existing, interested states. One-size-fits-all is rarely the case when it comes to state programs.

Angela Antonelli is a Research Professor and the Executive Director of the Center for Retirement Initiatives (CRI), and Emily Gorny was a Research Assistant with the CRI.

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APPENDIX

Colleen C. Davis
State Treasurer

OFFICE OF THE STATE TREASURER
STATE OF DELAWARE

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To: State Directors of "Auto-IRA" Retirement Savings Programs
From: Ted Griffith, Program Director, Delaware EARNS
Sent: Thursday, July 13, 2023
Subject: Potential Interstate Collaboration

EXECUTIVE SUMMARY

The Delaware EARNS Program Board, voting unanimously at its July 13 public meeting, has authorized the Office of the State Treasurer to explore entry into an interstate partnership or consortium to facilitate EARNS, Delaware's "auto-IRA" retirement savings program.

Legislation creating Delaware EARNS requires private-sector employers with five or more employees to enroll in the program, unless the employer already offers a qualified retirement plan. Approximately 150,000 private-sector employees in Delaware lack access to a retirement savings plan at work. Employers that don't comply with the requirement, which applies to both businesses and nonprofits, could face administrative penalties.

Delaware EARNS is part of the Office of the State Treasurer (OST) and the program is overseen by a seven-member Board that includes the State Treasurer, the Secretary of Finance, the Insurance Commissioner, and the Secretary of Labor. The EARNS statute gives the program's Board the authority "to effect this chapter's purpose by creating or entering into, on behalf of the Program, a consortium, alliance, joint venture, partnership, compact, or contract with another state or states or their programs or boards."

Delaware represents an ideal potential partner for many reasons. Our program has strong bipartisan support from Delaware legislators and other elected officials. State Treasurer Colleen Davis has consistently championed the program, and she has made Delaware EARNS one of her highest priorities. OST already has deep experience in successfully administering retirement savings programs for public-sector state workers. In addition, as the second-smallest state geographically, Delaware's scale makes it easy to reach employers and employees.

If your state is interested in exploring a cooperative arrangement with State of Delaware, please submit responses to the following questions to EARNS@delaware.gov, attention Ted Griffith, EARNS Program Director. Responses should be submitted by 5:00 p.m. Eastern time on July 31, 2023.

820 Silver Lake Boulevard • Suite 100 • Dover, Delaware 19904

PRELIMINARY QUESTIONS

1) Discuss your state's experience in operating a Secure Savings/Auto IRA program. This discussion should include specifics on account and asset growth of the program.

2) What advantages would you see for Delaware in potentially partnering with your state on a Secure Savings/Auto IRA program?

3) Do you currently have any state partners, or are you in discussions with other Auto-IRA programs about partnering? Please describe.

4) Identify the source of your statutory or other authority to serve as the lead or host state for a partnership or consortium.

5) Has your Program Administrator already committed to supporting your partnership? How many years are left on the term of your contract with your Program Administrator?

6) Describe the governance structure of your program. In your response, please list all entities involved in oversight or administrative support, and include the names and professional titles of chair(s), voting members, advisory committee members and program staff.

7) Discuss how decision making would be shared between or among the states. Please address what types of decisions will be handled via partner vote, and what types of decisions (if any) will be solely left to the lead state. Have you developed a formal framework governing the terms of any prospective partnership or consortium? If so, please attach to your response.

8) Discuss your fee structure, including applicable asset and account breakpoints. What fees would the State of Delaware receive and what fees would Delaware participants have to pay? Would our participants pay the same fees as your state participants?

9) Are there any costs associated with your partnership that would be charged to the State of Delaware? Specifically, has your Program Administrator confirmed whether it will charge any start-up or ongoing fees to new partner states? If so, list those expenses.

10) Describe the trust structure of the partnership. Are there separate trusts for each partner program, or is there one trust?

11) We assume that Delaware will have full access to data and contact lists for EARNS account holders and employers, and that Delaware will control the communications with these groups. Please confirm or describe how your structure differs.

12) Describe the terms for exiting your partnership. Are there restrictions on exiting? Do EARNS accounts stay with Delaware, or with the partnership?

13) Discuss your investment lineup for participants. What are the participants' choices? How often do you review this lineup and consider changes? How open are you to modifying the existing investment lineup based on Delaware's input?

14) Discuss timeline. If Delaware were to enter into an agreement with your state, approximately when do you anticipate Delaware would be able to initiate its pilot and then fully launch the program?

15) How would you support Delaware in implementing and marketing the program?

Please note that your response will be subject to disclosure under the Delaware Freedom of Information Act, 29 Del. C. ch. 100, unless an exemption applies.

Any questions should be submitted in writing by July 19, 2023, and e-mailed to:

Ted Griffith
Program Director
Delaware EARNS
Ted.Griffith@delaware.gov