State-Facilitated Retirement Savings Programs
An Overview of Program Best Practices and Lessons Learned

Presentation to the Delaware EARNS Board

November 15, 2022

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Program Management & Oversight

Board

Develop an efficient decision-making framework and management procedures

- Set governance policies
- Understand fiduciary responsibilities and engage counsel, as needed
- Subcommittees to make program recommendations to full Board
- Assess and plan for budget and/or legislative needs
- Oversee legal and financial reporting requirements
- Enter interagency and interstate agreements
- Conduct an annual review of performance and decision-making process
- Act in a transparent and accountable manner

Staff

- Hire program executive with public sector policy and/or relevant administrative experience
- Empower the program executive director and other staff and know when to delegate
- Program staff support will be needed to handled administrative procedures (e.g., rulemaking), marketing and outreach, data collection, reporting, negotiating terms of interagency or interstate agreements, etc.

Consultants

- Important role supporting the Board and staff
- Design governance and financial training
- If needed, help to explain differences between public and private sector boards
- Translate complex recordkeeper and vendor data, especially when putting together RFP for vendors
- Help identify critical tasks and timelines and help monitor progress
- Support for negotiating key elements of interagency and interstate agreements

Program Design - Contributions

- Keep to the basics in initial program design with additional features to be considered in future years (e.g., lifetime income)
- Higher default contribution rates (5%+) work to boost savings
  - Almost 75% of OregonSaves workers are contributing at 5%
- Auto-escalation of the contribution rate also can durably increase savings
  - Some OregonSaves workers are at a 9% contribution level after 4 increases
- Maximum default contribution rates between 8 and 10%

Program Design - Investments

- Roth IRA as default savings vehicle while also making traditional IRA an option
  – Roth IRA provide greater flexibility to access funds for different needs
- Retirement savings programs are not emergency savings programs
- Offer fewer investment choices keeping simplicity in mind
  – TDF as default with equity, bond, and money market offerings (few actively choose) – at most 3-5 options
  – Shift from an asset threshold to a fixed holding period (30-90 days) for initial default contributions provides the liquidity new savers may need as they adjust to entering the program

Auto-IRA Programs are increasingly becoming standardized in program design (which better supports inter-state partnerships):

- ✓ Lower employer thresholds
- ✓ 5% default contribution
- ✓ Auto-escalation of 1% to a cap
- ✓ Roth IRA
- ✓ Short asset holding periods
- ✓ Simple investment menus
- ✓ Shorter employer registration timelines

		OregonSaves[1]	Illinois Secure Choice[2]	CalSavers[3]	
Program Design	Account Type	Roth IRA (traditional option available)	Roth IRA (traditional option available)	Roth IRA (traditional option available)	
	Employer Threshold	Employers that do not currently offer qualified plans	Employers with 5 or more employees in business for at least two years that have not offered a qualified plan in the last two years	Employers with at least 5 employees that currently do not provide qualified plans (eff. 1/1/2023 changes to all employees).	
	Default Contribution	5%, automatically increasing 1% annually until reaching 10%	5%, automatically increasing 1% annual until reaching 10%	5%, automatically increasing 1% annually until reaching 8%	
	Default Investment	Funds for the first 90 days held in a capital preservation fund, then defaulted into a target date fund (or other selected investment).	Funds for the first 90 days after initial contribution held in a money market fund, then defaulted into a target date fund (or other selected investment).	Funds for the first 30 days after initial contribution held in a money market fund, then defaulted into a target date fund (or other selected investment).	*Across all 3 programs as of 9/30/22*
Program Data[4]	Total Assets (millions $)	$148.2	$84.0	$272.2	**$504,4 million** Total Assets
	Average Contribution Rate	6.1%	5.53%	5.07%	
	Average Monthly Contribution	$159	$144	$166	
	Funded Accounts	115,569	109,346	360,237	**585,152** Funded Accounts
	Average Funded Account Balance	$1,282	$768	$756	
	Employers Registered	17,187	7,486	109,245	**133,918** Employers Registered

- All three programs launched an initial pilot program before official statewide launch.
- Employers always have the option to select a qualified plan in the private market.
- Employees may opt out, choose to save to a traditional IRA, or change their contribution level or investment fund option at any time.
- Individuals who are self-employed or gig workers are able to voluntarily join the program.

1: For more information about OregonSaves, go to the program website.
2: For more information about IL Secure Choice, go to the program website.
3: For more information about CalSavers, go to the program website.
4: Participant data as of September 30, 2022 for IL Secure Choice, CalSavers, and OregonSaves.

Program Implementation – Engaging Key Stakeholders

State Agencies

Private service providers (Program vendors)

Business & Employer Associations

Public & Private sector employer organizations

Advocacy and Other-nonprofit organizations

Employees

Employers

Program Implementation
Facilitating Employer Participation

Employer Data

- Work with state agencies
- Look for easy existing employer exemption options
- Identify existing sources of state employer data

Marketing and Outreach

- Employer focus generates greatest ROI
- Multi-media outreach
- Multi-lingual approach

Registration Timelines

- Pilot testing is valuable
- Manage onboarding in waves
- Enrollment waves do not need to be long
- All eligible employers can join at any time
- Average of 90-120 days from registration to 1st dollar contribution (accelerating now)

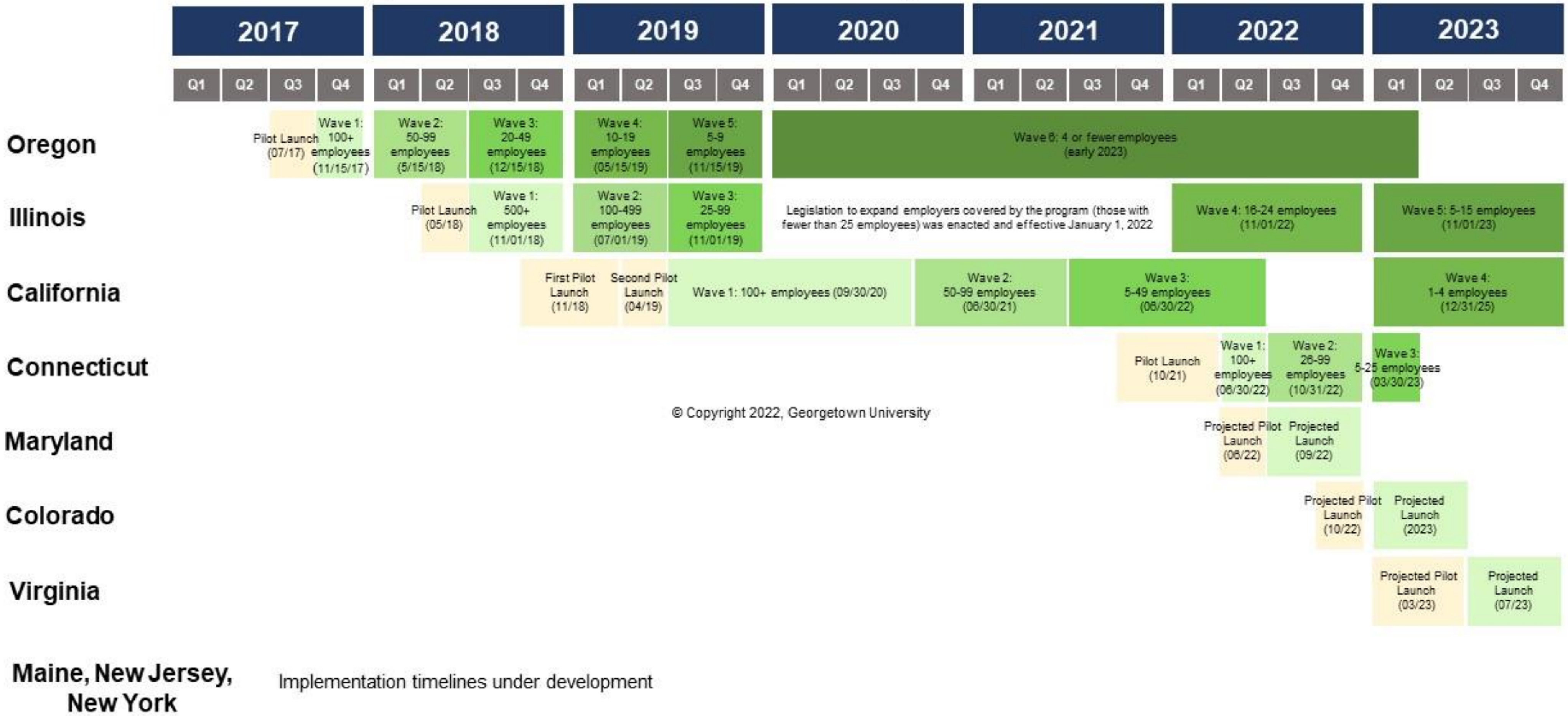
Payroll Integration Challenges

- Most employers have their own systems
- Smallest employers can present challenges
- Program administrators are making progress, but challenges remain
- DE EARNS gets a GOLD star for its payroll grants initiative

State Program Employer Registration Timelines

Although employers are free to enter these programs at any time, state programs set registration waves by employer size to smooth the pace of signup for the program.

Pilot and projected launch dates noted on the timeline reflect the *start* of the launch. Program enrollment wave dates reflect the *end* of the wave.



Source: State program information compiled by CRI as of September 1, 2022

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Program Cost Considerations

Early adopters – CA, IL and OR – originally established asset-based fee structures.

Program implementation experience has moved more recent programs in CT and MD to adopt hybrid asset-based and dollar-based fee structures. OregonSaves subsequently updated its fee structure and CalSavers may soon follow.

This hybrid fee structure is not new to the retirement plan market. The addition of dollar-based fees will be important to overall financial strength of the program and program administrators. The move to dollar-based fees will be better for participants in the long-term as assets continue to accrue in these programs.

Achieving economies of scale is critical to long-term success. Thus, for a small state such as Delaware the consideration of partnering with another states is an important consideration.

		California	Illinois	Oregon	Connecticut	Maryland
Asset-Based Fees	Underlying Fund	0.025 - 0.15%	0.02 - 0.15%	0.02 - 0.12%[6]	0.032 - 0.10%	0.025 - 0.67%[7]
	Program Manager	0.75%	0.55 - 0.68%	0.15%	0.20%	0.18%
	State	0.05%	0.05%	–	0.02%	--
	Total	0.825 - 0.95%	0.75%[8]	0.17 - 0.27%	0.252 - 0.32%	0.205 – 0.85%
Dollar-Based Fees	Program Manager	–	–	$14	$24	$24
	State	–	–	$4	$2	$6
	Total	–	–	$18	$26	$30

Source: AKF Consulting Group, with permission.

Program Compliance- Considerations

- Consideration of the role of the program and the role of other state agencies in the enforcement process
  - Issuance of notices
  - Imposition, collection, and use of fines
- Soft compliance initiatives as a first step
- Every state has different considerations for how to execute
- Authority to impose fines in and of itself has an impact

What Will Be Key to Success?

State Programs are Public – Private Partnerships

Decisions made about:

- Governance
- Staffing
- Design
- Cost Structure
- Ability to Scale

Will determine whether and how many providers will be interested in your program

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Partnership Opportunities – Key Considerations

Partnering with Another State
Key Questions

- Will partnering with another state strengthen long-term program viability by helping to achieve economies of scale sooner?
- How closely does or must our program's design goals and objectives align with the lead state and other potential partner states?
- How much of the program administrative burden and cost can be reduced through an interstate arrangement?
- What would be the structure for how key decisions are made?
- Where are we willing to accept consistency and where do we need flexibility in program design and administration?
- Can we easily exit the agreement should it be necessary?

Colorado’s Partnership for a Dignified Retirement (PDR) Consortium Interstate Adherence Agreement

- The purpose of the PDR is for the States to assist in the ongoing administration of the Program and make Program recommendations (e.g., contribute state representative, participate in meetings, assess and evaluate vendors, and determine shared expenses)
- Lead state assumes lead responsibility for drafting RFP for program vendors (evaluated by a committee of states) and executing Master Services Agreement (MSA) with vendors on behalf of the consortium
- Partner state has responsibilities for active participation in the consortium
- Member states vote on the following:
  - Designation of lead state
  - Amendments or modification to MSA or the Interstate Agreement
  - Removal of a state
  - Vendors pursuant to cost-sharing agreement among states
  - Determination of whether a state is in compliance with the Agreement and/or its obligations
- Member states will discuss, advise, and recommend substantive changes to Programs and/or structure of the Partnership

Colorado’s Partnership for a Dignified Retirement Consortium Interstate Adherence Agreement

- Multi-state consortium operating a private sector mandatory, auto-enrollment payroll deduction IRA Program
- States may collaborate, share resources and expertise, and efficiently retain, evaluate and monitor vendors that operate the Program through contracts authorized and executed in accordance with the terms of the Agreement
- Lead state can change but it has responsibility for executing a Master Services Agreement with vendors (e.g., program administrator and investment managers)
- Partner states sign Partner State Agreements with program vendors that incorporate the Master Services Agreement between the lead state and program vendors

Colorado Partnering with Another State
Individual State Responsibilities Remain

Even if a state enters a partnership there are still basic responsibilities and duties that remain:

- Governance and oversight
- Staffing
- Marketing and outreach (although the nature of the interstate agreement and cost sharing could reduce this, if desired)
- Enforcement of employer participation requirement
- State reporting, public disclosure, auditing & and other requirements

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