



GEORGETOWN UNIVERSITY
McCourt School of Public Policy
Center for Retirement Initiatives

Comparison of Retirement Plan Design Features¹, By State: California², Illinois, Oregon, Maryland and Connecticut

August 15, 2016
UPDATE

¹ On November 18, 2015, the U.S. Department of Labor (DOL) published for comment a [proposed 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. The state plans in this document are assumed to be plans covered under the proposed rule. DOL is expected to finalize this rulemaking in the fall 2016.

² The California program description is based on its 2012 law; a new bill to authorize the program is pending before the California Legislature. This chart would be updated upon enactment of a new law.

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	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Bill Sponsor	Sen. Kevin de León	Sen. Daniel Biss	Rep. Tobias Read, Rep. Jennifer Williamson and Sen. Lee Beyer	Del. William Frick and Sen. Douglas Peters	Rep. Joe Aresimowicz and Sen. Martin Looney
Bill Number	SB 1234: Chapter 734 (2012)	SB 2758: Public Act 098-1150 (2015) .	HB 2960: Chapter 557 (2015)	HB 1378: Chapter 324 (2016) SB 1007: Chapter 323 (2016)	HB 5591: Public Act 16-29 (2016)
Bill Status	Enacted September 28, 2012	Enacted January 5, 2015, as amended by SB 2420 in 2016 ³	Enacted June 25, 2015	Enacted May 10, 2016	Enacted May 27, 2016
ERISA Applicability⁴	Not subject to ERISA	Not subject to ERISA	Not subject to ERISA	Not subject to ERISA	Not subject to ERISA
Ruling on ERISA Needed Prior to Implementation	Yes	No, but the Board must submit a written request to the U.S. Department of Labor about the applicability of ERISA.	No, but the Board must obtain legal advice on the applicability of ERISA.	No, but the Board must obtain legal advice on the applicability of ERISA.	No, but the Board must adopt written procedures to allow for modifications to the program to prevent it from being subject to ERISA.
Implement if ERISA Applies	No. The Board shall not implement the program if it is determined that the program is an employee benefit plan under the federal Employee Retirement Income Security Act (ERISA).	No. The Board shall not implement the program if it is determined that the program is an employee benefit plan under the federal Employee Retirement Income Security Act (ERISA).	No. The Board shall not establish the plan if it determines that the plan would qualify as an employee benefit plan under the federal Employee Retirement Income Security Act (ERISA) and/or applies to employers.	No. The Board shall take any action necessary to ensure that the Program is not preempted by federal law.	No. The Authority will ensure that the Program meets all criteria for federal tax-deferral or tax-exempt benefits, and to prevent the program from being treated as an employee benefit plan under ERISA.

³ At the time of publication, SB 2420 passed the Illinois legislature on May 11, 2016 and was sent to the Governor for action on June 9, 2016.

⁴ As previously noted, the U.S. DOL issued a [proposed rule](#) on November 18, 2015 establishing a new safe harbor for state IRA retirement savings arrangements allowing qualifying state programs to be exempt from ERISA. These plans are assumed to be covered by this rulemaking and would be exempt from ERISA, although such interpretation may be subject to legal challenge.

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	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Market, Feasibility and/or Legal Analysis Required	Yes. Analyses to determine the necessary conditions for implementation including likely participation rates, contribution levels, and participants' comfort with investment vehicles and risks and if the plan will be self-sustaining. Funding must be provided by nonprofit or private entities or federal funding.	Not required by law; however, Illinois is conducting a market analysis as a part of its pre-implementation planning.	Yes. Analyses are required to determine the feasibility of the plan and to what extent similar plans exist in the market; to obtain legal advice regarding the applicability of ERISA to plan design; and to study aspects of employer and employee participation in the program. Funding available through appropriations to the Board.	Not required by law; however, the Board may conduct market and financial feasibility studies before the program becomes operational.	Yes. The Board shall conduct a study of the interest of participants and potential participants of the Program in investing in a traditional IRA option. The study will include, but is not limited to: the number of participants whose incomes exceed federal limits for contributing to a Roth IRA, and the percentage of current participants that would prefer a tax-deferred savings option. The Board will submit a report not later than January 1, 2019 to the joint standing committee of the General Assembly. The Authority also may study the feasibility of making available through the state or the Authority a multiple-employer 401(k) plan or other tax-favored savings vehicle.

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	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Administrative Entity	The California Secure Choice Retirement Investment Board with nine (9) members: Treasurer (serving as chair); Director of Finance; the Controller; an individual with retirement savings and investment expertise appointed by Senate Committee on Rules; an employee representative appointed by Speaker of the Assembly; a small business representative appointed by Governor; and three additional members appointed by the Governor. The Board is appointed and meets regularly.	The Illinois Secure Choice Savings Board. Board with seven (7) members: Treasurer (serving as chair); State Comptroller; Director of the Governor's Office of Management and Budget; two public representatives with expertise in retirement savings plan administration or investment appointed by Governor; a representative of participating employers appointed by Governor; and a representative of enrollees appointed by Governor. The Board is appointed and meets regularly.	The Oregon Retirement Savings Board with seven (7) members: Treasurer (serving as chair); and the Governor shall appoint: a representative of employers; a representative with experience in the field of investments; a representative of an association representing employees; and a public member who is retired. A member of the Senate appointed by the President of the Senate; and a member of the House of Representatives appointed by the Speaker of the House. The Board is appointed and meets regularly.	The Maryland Small Business Retirement Savings Board with eleven (11) members who will elect a chair from among the members: The State Treasurer, or the Treasurer's Designee; the Secretary of Labor, Licensing and Regulation, or the Secretary's Designee; 9 members with expertise in retirement programs - 3 appointed by the Governor, 3 appointed by the President of the Senate, and 3 appointed by the Speaker of the House of Delegates.	The Connecticut Retirement Security Authority Board with fifteen (15) members and the chair to be selected by the Governor from among the members: Treasurer; Comptroller; Secretary of the Office of Policy and Management; Banking Commissioner; and Labor Commissioner all serving as ex officio voting members; one appointed by the Speaker of the House of Representatives; one appointed by the Majority leader of the House of Representatives; one appointed by the Minority leader of the House of Representatives; one appointed by the president pro tempore of the Senate; one appointed by the Majority leader of the Senate; one appointed by the Minority leader of the Senate; and four appointed by the Governor. All appointments shall be made not later than January 1, 2017.

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	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Board Compensated	No	No	No	No	No
Employer Participation	Mandatory. Employers retain the option at all times to set up any type of employer sponsored plan instead of the state arrangement.	Mandatory, with 2-year delay for new businesses. Employers retain the option of providing a plan available on the open market.	Mandatory. Employers can establish alternative retirement plans for some or all of its employees.	Mandatory for all employers that pay employees through a payroll system or service. There is a 2-year deferral for new businesses. Employers retain the option of providing a plan available on the open market.	Mandatory. Employers retain the option of providing a plan available on the open market.
Employers Affected	5 or more employees	25 or more employees and has not offered a qualifying retirement plan in the preceding 2 years.	Employers that do not currently offer plans.	All qualifying employers that do not currently offer plans.	5 or more employees and do not currently offer a plan.
Penalties for Employer Non-Compliance	Yes. To be determined.	Yes - \$250 per eligible employee to start.	Not Specified	Yes. If a covered employer is not in compliance, the covered employer may not receive a waiver of the State's \$300 filing fee. Applies only after program is open for enrollment.	Yes. The employee, or the Labor Commissioner, may bring a civil action to require the employer to enroll the covered employee and shall recover attorneys' fees.
Structure of Accounts	Traditional IRA	Roth IRA	Defined Contribution Plan (IRA is intent)	One or more payroll deposit IRA arrangements to be determined by the Board.	Roth IRA
Automatic Enrollment	Yes	Yes. Small employers' use of automatic enrollment is subject to the DOL final rule. ⁵	Yes	Yes	Yes

⁵ See Illinois footnote at "Availability to Other Employers" for clarification.

	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Employee Opt-Out	Yes	Yes	Yes	Yes	Yes
Employee Re-Enrollment after Opt-Out	Yes, but only during designated open re-enrollment period.	Yes, but only during designated open re-enrollment period.	Not Specified	Yes, in accordance with procedures established by the Board.	Not Specified
Default Contribution Rate	3% (with administrative discretion in the range of 2% to 4%).	3%	The Board has discretion to set the employee contribution level.	The Board has discretion to set default, minimum and maximum employee contribution levels.	3%
Employer Contribution	Permitted only if would not trigger ERISA.	Not permitted	Not permitted	Not specified	Not permitted
Availability to Other Employers	Yes. Employees of non-participating employers and the self-employed may be allowed to contribute.	Yes. Employers with fewer than 25 employees may be allowed to participate. Will establish a process by which an individual may voluntarily enroll in and make contributions to the Program. Small employers' use of automatic enrollment is subject to DOL's final rule. ⁶	Will be determined by market analysis.	Yes, the Board may evaluate and establish the process by which an employee of a non-participating employer may participate.	Yes. A private employer with 4 employees or fewer may make the program available to its employees. No employer shall require any employee to enroll in the program.

⁶ The DOL proposed rule allows the use of auto-enrollment only by those employers mandated to participate in a state-sponsored savings arrangement. For those employers below the employee threshold, the current proposed rule would not allow employers to use auto-enrollment. For states such as Illinois, utilization of automatic enrollment by small employers may be allowed only if it does not create employer liability under ERISA.

	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Tax & Other Incentives	Yes. Disseminate information about tax credits available to small businesses for establishing retirement plans. Also, encourage the use of federal Saver's Tax Credit available to low- and moderate-income households to encourage retirement savings.	Not specified	Board can examine ways to reduce costs through incentives, tax credits or other means.	The state will waive the annual corporate filing fee of \$300 per year for those qualifying employers who participate in the state program or otherwise provides auto-enroll IRA or annuity or an employer offered savings arrangement that is in compliance with federal law.	The Board shall disseminate information concerning the tax credits that may be available to small business owners for establishing new retirement plans.

	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Investment of Assets	The Board may consider a range of asset categories for the investment of funds including: equities; US and corporate debt obligations; securities; money market funds; mutual funds; insurance agreements; and FDIC-insured bank products. Equities cannot exceed 50% of overall asset allocation of the fund.	The Board shall establish investment options for enrollees to include: default life-cycle target date fund and any or all of the following: a conservative principal protection fund; a growth fund; a secure return fund; and an annuity fund.	Not specified	The Board shall evaluate and establish a range of investment options including a default investment selection for employees' payroll deposit IRAs. The Board may not 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.	The Authority shall provide for each participant's account to be invested in an age-appropriate target date fund with the vendor selected by the participant (or the program default option applies) or other investment vehicles as deemed feasible and cost effective by the Authority. The program will offer qualified retirement investment choices offered by multiple vendors. The assets must be held in trust or custodial accounts meeting the federal requirements for IRAs. 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.

	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Investment Management and Liability	The Trust's Program Fund is to be invested as determined by the Board as its Trustee with the collective, common and pooled investment of assets. The Board will engage outside investment firm(s). The Fund must be self-sustaining. The Board may establish a "Gain and Loss" Reserve Account to allocate interest, at the stated interest rate, as needed. There must be a mechanism in place to protect the value of individuals' accounts and holds the state harmless against any liability. The Board must establish effective risk management and oversight programs.	The Program Fund is established with the Board as its Trustee and moneys in the fund from enrollees and participating employers will be held as pooled investments to achieve cost savings through efficiencies and economies of scale. The Board will engage outside investment firms, as needed, and select investment options that don't incur debt or liabilities to the state. The Fund will maintain individual accounts for enrollees. The Fund is not the property of the State and cannot be commingled with State funds. The Board also must establish effective risk management and oversight programs.	Pooled accounts established under the plan for investment; accounts will be professionally managed. Plan must maintain separate records and accounting for each plan account. May not guarantee any rate of return or interest rate on any contribution. The plan, the board, each board member and the State of Oregon may not be liable for any loss incurred by any person as a result of participating in the plan.	The Trust is established with contributions paid by employees and the Board shall delegate administration of the Trust to a third party. Assets of the Trust must remain in the Trust and cannot be transferred out. The Board may arrange for collective, common, and pooled investment of assets of the Program, with a goal of saving costs through efficiencies and economies of scale. The Board will also explore and establish investment options that offer employees returns on contributions and the conversion of individual retirement savings account balances to secure retirement income without incurring debt or liabilities to the state. The Board must adopt an investment policy that includes a risk management and oversight program. The Program Fund may be privately insured and is not guaranteed by the state.	The Authority may contract with financial institutions or other organizations offering or servicing retirement programs. The State will not be liable for the payment of any benefit to any participant or beneficiary of any participant and shall not be liable for any liability or obligation of the Authority. Any employer who provides automatic enrollment shall be relieved of liability for investment decisions made by the employer or the Authority as long as employees are given open notice and ability to select investments as required by law. Liability relief also extends to any plan official who makes investment decisions on behalf of participating employees.

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	California Secure Choice Retirement Savings Program	Illinois Secure Choice Savings Program	Oregon Retirement Savings Program	Maryland Small Business Retirement Savings Program and Trust	Connecticut Retirement Security Exchange
Fees	No more than 1%.	Total expenses cannot exceed .75% of the total trust balance.	Must keep administrative fees low.	Administrative expenses may not exceed 0.5% of assets under management in the Program.	Not specified, but the Authority shall minimize total annual fees, and after the completion of the fourth calendar year following the date that the program becomes effective, the total annual fees associated with the program shall not exceed three-quarters of one percent (.75%) of the total value of the program assets. Fees are defined as investment management charges, administrative charges, investment advice charges, trading fees, marketing and sales fees, revenue sharing, broker fees and other costs necessary to administer the program.

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Program Funding	The California Retirement Savings Trust includes an Administrative Fund and a Program Fund and the Trust must become self-sustaining. Moneys from the Program Fund are transferred to the Administrative Fund to cover the operating costs of the program. The State can accept any grants, gifts, legislative appropriation, and other moneys from the state, any unit of the federal, state or local government or any other person, firm, partnership or corporation for deposit to the program or administrative fund.	The Illinois Secure Choice Administrative Fund is created as a non-appropriated separate and apart trust fund in the State Treasury. The Administrative Fund is to be used by the Board to pay for administrative expenses it incurs. The Administrative Fund may receive any grants or other moneys designated for administrative purposes from the State, or any unit of federal or local government, or any other person, firm, partnership, or corporation.	The Oregon Retirement Administrative Savings Plan Fund must be self-sustaining and is established from funds to be continuously appropriated to the Board. It is separate and distinct from the General Fund. The Plan Fund consists of money appropriated by the Legislative Assembly; moneys transferred from the federal government, other state agencies or local governments; moneys from payment of fees; any gifts or donations; and earnings on moneys in the fund. The Legislature appropriated \$250,000, which may be used only for reimbursing other state agencies for providing outreach or technical assistance services; and \$743,541, which may be used only for the operating expenses of the Board. The appropriation is a General Fund loan.	The Maryland Small Business Retirement Board, consistent with its fiduciary duties, may enter into an agreement to borrow funds from the state or any other entity to provide funding for the operation of the program until the program can generate sufficient funding for operations through fees assessed on program accounts. All expenses incurred to implement, maintain, and administer the Program and Trust will be paid from money collected by the Program or Trust. First-year start-up costs are estimated to be \$1.6 million.	The Connecticut Retirement Security Authority may borrow working capital funds and other funds as may be necessary for the start-up and continuing operation of the program, as long as such funds are borrowed in the name of the Authority only. Such borrowings shall be payable solely from revenues of the Authority.

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Establish Website	Yes. The creation of a Retirement Investments Clearinghouse, but only if there is sufficient interest in a site by private sector providers and if the private sector provides the funds to build and maintain the site. The website would contain information on the vendor registration process, retirement plans, and statements from participating vendors. Vendors must offer an appropriate array of accumulation funding options, including, but not limited to, investment options that offer guaranteed returns and the conversion of retirement savings account balances to secure retirement income, a diversified mix of value, growth, growth and income, hybrid and index funds or accounts across large, medium and small capitalization asset classes.	Yes. There must be sufficient interest in a site by private sector providers and if the private sector provides the funds to build and maintain the site.	Not Specified	Not Specified	Yes. The Authority shall establish and maintain a secure Internet website to provide Exchange participants with information regarding approved vendors that offer individual retirement accounts through the program and the various investment options, including the historical investment performance of such options that may be available for such individual retirement accounts.

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Implementation Timeline	<p>The Board must complete the market and legal analyses and report to the Legislature for authorization before it can launch its program. Current plan is to complete the analyses by year end 2015 and go back to the Legislature in 2016.</p> <p>SB 1234 to authorize the program was introduced by Senator Kevin de León on February 18, 2016. The bill passed the Senate on June 2, 2016 and is now pending in the Assembly.</p>	<p>Enrollment of participants must be possible within 24 months after the effective date of the Act (by June 1, 2017). Employers then have 9 months after that date to set up their automatic payroll deposits for their employees. If the Board does not have adequate funds to implement the program within the specified timeframe, the Board may delay implementation.</p>	<p>By December 31, 2016, the Board must provide a report to the Legislative Assembly including, but not limited to, the market analysis, ways to increase financial literacy, analysis of cost to employers, and a timeline for program implementation so individuals may begin making contributions no later than July 1, 2017.</p>	<p>The Act will take effect July 1, 2016.</p>	<p>Not later than January 1, 2018, qualified employers need to provide covered employees with the informational materials prepared by the Authority. Not later than 60 days after a qualified employer provides informational materials to a covered employee, such qualified employer shall automatically enroll each of its covered employees in the program. The Authority may defer the effective date of the program, in whole or in part, as deemed necessary.</p>

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Closing the Coverage Gap for Private Sector Workers: The U.S. Legislative and Policy Outlook

Presentation to
World Economic Forum
Retirement Investment Systems Reform Project
New York City
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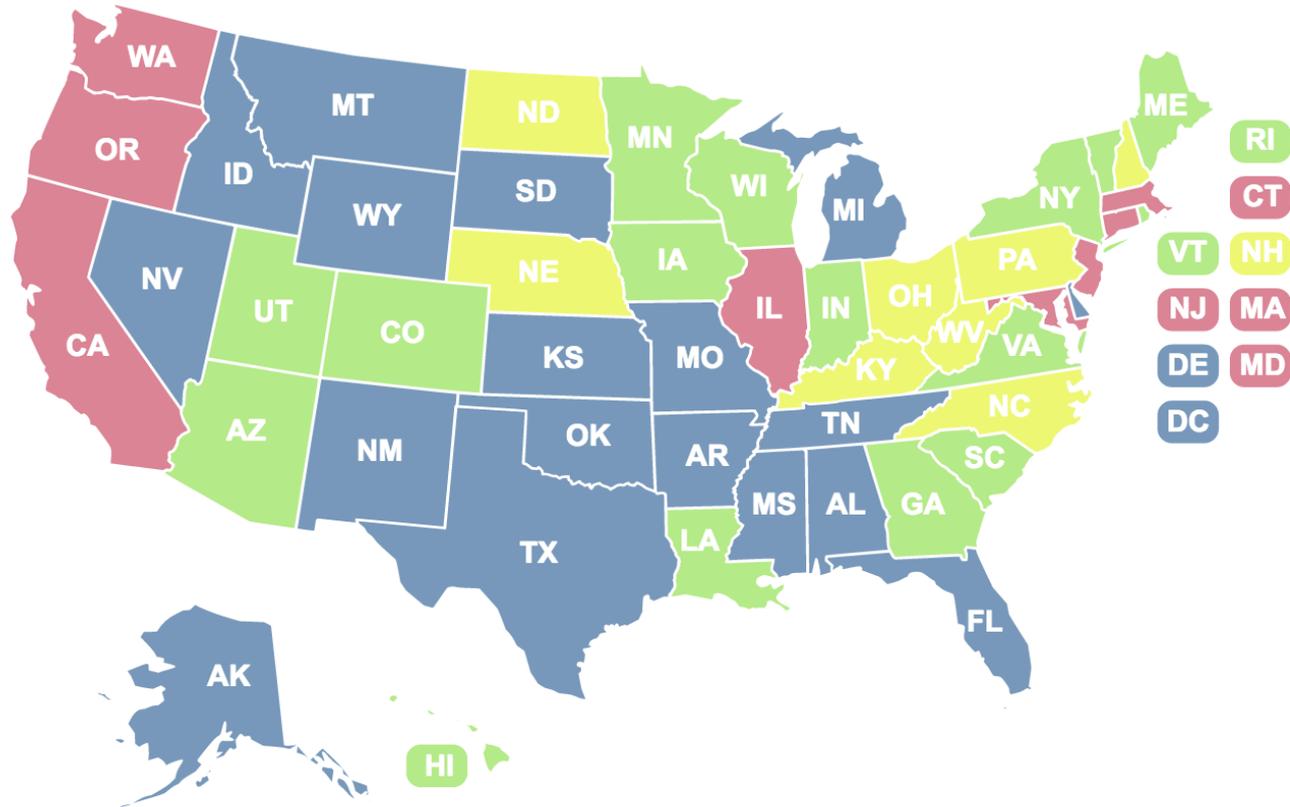
Why Are States Acting?

- Top financial concern
- Too little saved and Social Security isn't enough
- More than half of private sector workers are uncovered
- Long-term budget consequences
- Long-term economic consequences
- No success at the national level

From Crisis to Opportunity

- For Innovation and Leadership Look to the States
- States Are Stepping Up To Address Retirement Security
- Goal To Design Simple, Low-Cost, Easily Accessible and Effective Savings Options

More than 30 States Have Considered or Enacted Private Sector Retirement Initiatives



Source: Georgetown University's Center for Retirement Initiatives

-  = legislative proposal and/or study in 2016
-  = laws enacted (2012-present)
-  = recent state efforts (2012-2015)

Would ERISA Apply to State-Sponsored Initiatives?

The \$64,000 Question

- ❑ ERISA is the federal law that governs employer-sponsored retirement plans.
- ❑ Uncertainty as to whether ERISA would apply to these state plans and many states specified in their enabling laws that they needed to be exempt from ERISA in order to move forward.
- ❑ President directed the U.S. Department of Labor (DOL) to issue rules to "Provide a Clear Path for States to Create Retirement Savings Programs" on July 31, 2015.
- ❑ DOL issued proposed regulatory changes in November 2015 with a goal to finalize by end of 2016 (end of the current Administration).
- ❑ Policies addressed the 2 approaches:
 1. "Non-ERISA" - Mandatory, auto-enroll IRAs
 - Proposed rule creates new safe harbor allowing state sponsored mandatory auto-enroll IRA to be exempt from ERISA.
 2. ERISA covered –MEPs, Prototype Plans, and Marketplace
 - Proposed guidance allows for state open Multiple Employer Plan (MEP) arrangement by the state to facilitate plan formation and take burden off of employers, but maintain ERISA protections.
 - ERISA applicability does not allow program to be mandatory for employers (An ERISA plan can be an option in a marketplace model).

8 States – 3 Models....So Far

1. IRAs (“non-ERISA”)
 2. 401(k)s (“ERISA”)
 3. Marketplace (“ERISA plans”)
- Future – Open Multiple Employer Plans (MEPs)?
 - Others to be designed consistent with federal Department of Labor guidelines (combinations)?

“SECURE CHOICE” (CA, CT, IL, MD, OR)

Auto-IRAs

- Mandatory, auto-enroll (with employee opt-out)
- Default contribution level
- Employer threshold/conditions for mandated participation
- Employer contributions generally not permitted (would trigger ERISA)
- Pooled and professionally managed funds
- Must keep fees “low” (.75%-1% range)
- Market analysis and legal analysis to guide design and management issues

MARKETPLACE (WA, NJ)

- Managed by State Agency.
- Voluntary participation for employers with less than 100 employees.
- SIMPLE IRA, myRA (Roth IRA), and payroll deduction IRAs and others can be added.
- Employer contributions encouraged (ERISA plans encouraged).
- To be built and funded by private sector.
- Participating providers must offer at least two product options.
- Fees cannot exceed 1%.

Massachusetts -401(K) for Non-Profits

- Managed by the State Treasurer
- Voluntary participation by non-profit employers with 20 or fewer employees
- Defined contribution 401(k) plans.
- Auto-enroll with opt-out.
- Default contribution at 6% or can choose 4% with auto-escalation up to 10%.
- Fees estimated to be well under 1% (20-80 bps).

State Implementation Issues & Challenges

- **Funding Availability**
 - Start up costs & role of private sector funding vs. government funding.
- **ERISA Uncertainty**
 - DOL proposed rulemaking encouraging but needs to be finalized to mitigate uncertainty and encourage future action.
- **Market & Feasibility Analyses Role in Plan Design**
 - Learning while implementing; doing it after plan design (IL, WA)
 - Demonstrates needs for flexibility in legislation to make necessary adjustments
- **Outreach to Stakeholders Important**
 - Business community, small businesses
 - Low-income advocacy groups
 - Financial services industry
 - Labor unions
- **Building and Managing the Program**
 - Establishing and communicating the rules and processes for employees & employers with respect to enrollment, opt-out, withholding and submitting contributions; selecting product options; rules for withdrawals and portability; investing and managing assets; consumer protection regulatory framework; deciding what operations to contract out vs. keep in house, etc.

Key Plan Design Considerations

- Voluntary or mandatory participation
- Role of employer and employer liability
- Types of employers and workers covered
- Default, minimum and maximum contribution levels
- Use of other tools and nudges such as auto-escalation
- Use of tax or other incentives

Key Plan Design Considerations

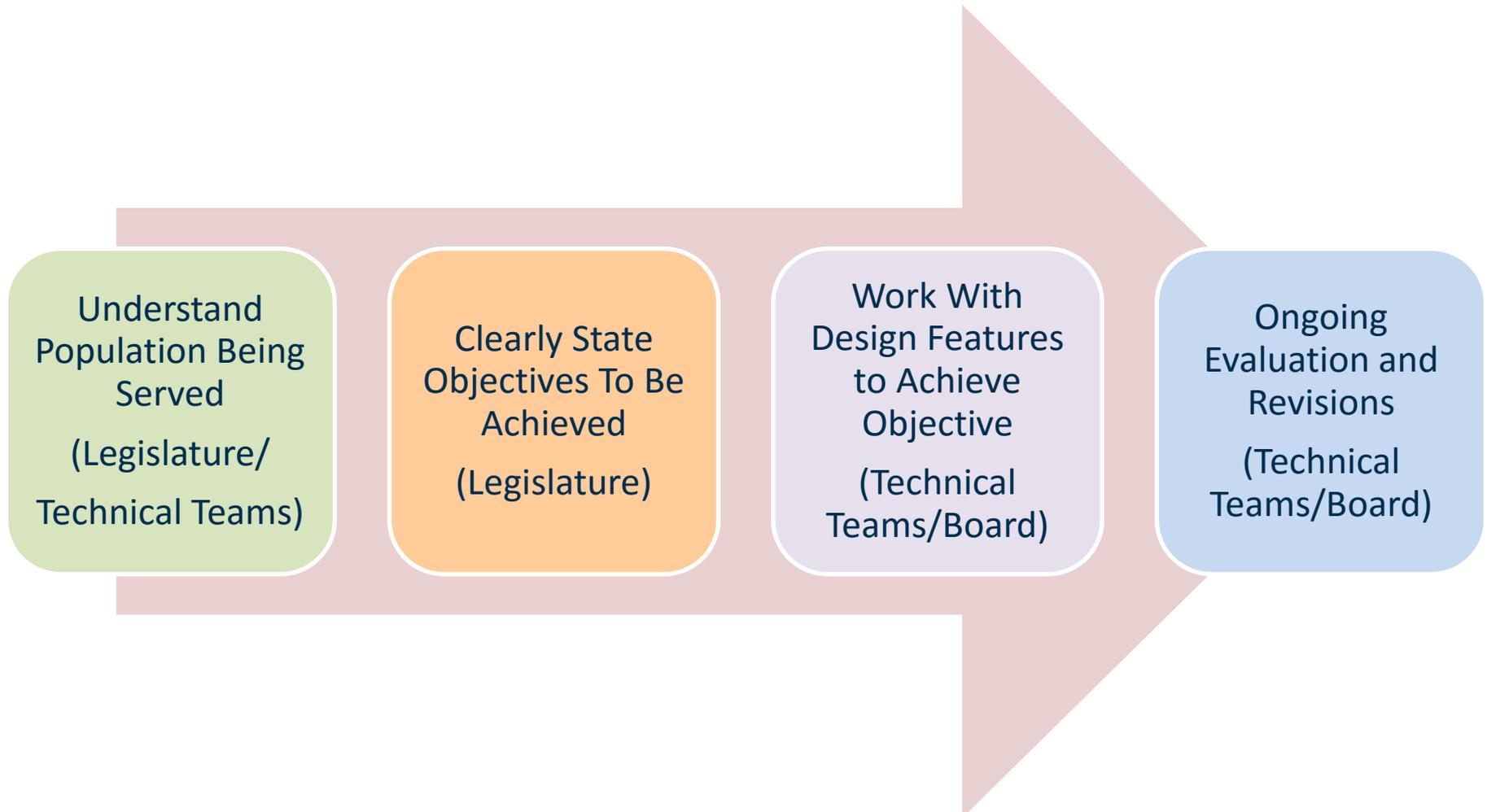
- Investment and management of assets
- Withdrawal rules and portability
- Guarantees
- Program administration and governance
- Program funding
- State liability

State Initiatives: Lessons Learned

- ✓ Understand the Target Population
 - Employees
 - Employers
 - “Gig economy” and the independent contractor
- ✓ Engage Stakeholders Early and Often
 - Visit with small businesses, low income advocacy groups, etc.
 - Take advantage of the resources of organizations committed to your goals.
 - Reach out to other states to learn from their experiences.
- ✓ Define Overall Policy Goals and Objectives
 - Understand what improving retirement security means (e.g., savings only or creating a stream of lifetime income, etc.).
- ✓ Design the Program to Meet Your Goals
 - Keep the design simple and easy to understand to boost participation.
- ✓ Be Prepared to Refine the Program Design
 - Avoid detailed design features in law to provide flexibility to adjust in implementation.
- ✓ Keep the Future in Mind – How Will Success Be Measured?
 - You can define it or others will define it for you.

Successful Reform Needs An Effective Sequencing Process

Merton-Muralidhar (*working paper*) examines this approach for uncovered workers' voluntary defined contribution (DC) reforms



States' Actions Reignite Push for National Solution

- Firm CEOs announcing their own proposals for consideration.
- Federal legislative proposals have been introduced for several years including this current Congress but no movement.
 - Launch of voluntary myRA program modest step
 - President's FY 2017 budget proposal supports open-MEPs, state initiatives
- Action in 2016 with election cycle is unlikely.

Outlook for 2016-17

- DOL finalizes ERISA safe harbor rulemaking for state programs.
- CA needs enabling legislation to launch program.
- Success of state initiatives reigniting interest in a national solution.
- Action and Trends for 2017 and beyond
 - Implementation work will be watched (WA,OR first)
 - State studies continue (VT & others)
 - Large cities exploring their own plans (NYC, Seattle, Philadelphia)
 - Evolution of models continues
 - Private sector innovation in response to state efforts
 - Public- private partnerships & additional reforms
 - How to expand focus from accumulation to decumulation and lifetime income (more DB attributes in a DC world)

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[President Obama's blog post](#)

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The Federal Reserve's 2014 Survey of Household Economics and Decisionmaking, May 2015

Simplifying Choices in Defined Contribution Retirement Plan Design, The Pension Research Council, May 2015

The 2015 Retirement Confidence Survey: Having a Retirement Savings Plan a Key Factor, EBRI, April 2015

An Analysis of the Illinois Secure Choice Savings Program, New America, April 1, 2015

State-run retirement programs picking up steam, BenefitPro, March 22, 2015

Congress Forms Retirement Caucuses, BenefitsPro, March 4, 2015

Americans' Views of the Retirement Crisis, National Institute on Retirement Security, March 2015 Report

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RETIREMENT SECURITY IN PHILADELPHIA

An Analysis of Current Conditions and Paths to Better Outcomes

City of Philadelphia

May 2016

City Controller
Alan Butkovitz



Promoting honest, efficient & fully accountable government

RETIREMENT SECURITY IN PHILADELPHIA

An Analysis of Current Conditions and Paths to Better Outcomes

EXECUTIVE SUMMARY

Why is the Controller's Office interested in retirement security?

The US retirement security system has changed profoundly in recent decades. Broad national trends such as the rise of defined contribution retirement plans and the decline of defined benefit pensions, gains in life expectancy, and the surge of nontraditional work arrangements have shifted much of the responsibility for retirement planning and savings to the individual. In this altered context, many Americans struggle to save enough for retirement. The negative consequences of inadequate retirement savings will be most severe at the local level. Rising numbers of poor seniors will result in increased demand for public assistance programs and reduced spending in the local economy. In sum, insufficient retirement assets of Philadelphians pose a risk to the fiscal and economic health of the City of Philadelphia.

Findings

This report is intended to serve as the basis for a broader and deeper policy discussion and as a framework to guide City policy makers, and as such does not offer definitive solutions. Nevertheless, it does present the following findings:

- Philadelphians - as Americans elsewhere - do not save enough for retirement. The average working household in the United States has virtually no retirement savings. Women, minorities and low-income workers face the largest barriers to building financial security for old age.
- Accumulating sufficient retirement savings depends strongly on having a retirement plan at work. About fifty-four percent of employees in Philadelphia (334,000) do not have access to a

retirement plan at work. Small businesses are least likely to offer retirement plans to their employees.

- Currently, one third of Philadelphia's seniors have incomes below 150 percent of the federal poverty level and 21 percent are in the Supplemental Nutritional Assistance Program.
- More than half of Philadelphia's senior households are forced to make difficult choices between their basic needs such as food, medicine, heating or cooling.
- A senior in Philadelphia currently needs \$423 per year, on average, to cover out-of-pocket medical expenses. Millennials will face about four times higher expenses for health care in their senior years than current retirees.
- If nothing is done to stop the erosion of retirement security in Philadelphia, the economic and social costs associated with rising numbers of poor seniors in the city may undermine Philadelphia's fragile economic revival.
- Given the inaction of the federal government, more than 20 states around the country - not including Pennsylvania - have stepped in and introduced policies to foster retirement readiness among their residents. Namely, states are pursuing state-run Auto-IRAs (aka "Secure Choice"), Open Multiple Employer Plans (Open MEP), Prototype Plans and Retirement Marketplaces.
- Some large cities, including New York City and Seattle, have expressed interest in exploring city-run Auto-IRA programs.

Recommendations

- The City should hold hearings to supplement the findings in this report and allow policymakers the opportunity to engage with both experts and ordinary citizens about retirement security issues.
- The City should form a Retirement Security Working Group. The RSWG will be charged with synthesizing the testimony collected during hearings and collecting additional information from experts and citizens in order to produce a set of recommendations for further action.

INTRODUCTION

With the aging of the population, the shift from defined benefit pensions to defined contribution plans and the transformations of work and employment, many Americans struggle to achieve financial security in old age. Philadelphians are no exception.

The current retirement security system - consisting of Social Security, workplace retirement plans and personal retirement savings (a.k.a. the “three-legged stool”) - has become increasingly inadequate to ensure Americans’ financial security in retirement. That is particularly true for the more vulnerable segments of the population, such as low-income workers, minorities and women, but also increasingly for the middle class.

As the poorest of America’s ten biggest cities, Philadelphia has large numbers of residents that struggle to build financial security for their senior years. If nothing is done, the economic and social costs associated with rising numbers of poor seniors in the city will threaten Philadelphia’s fragile economic revival. Thus, there is a dire need for policies that will help increase retirement readiness among Philadelphians.

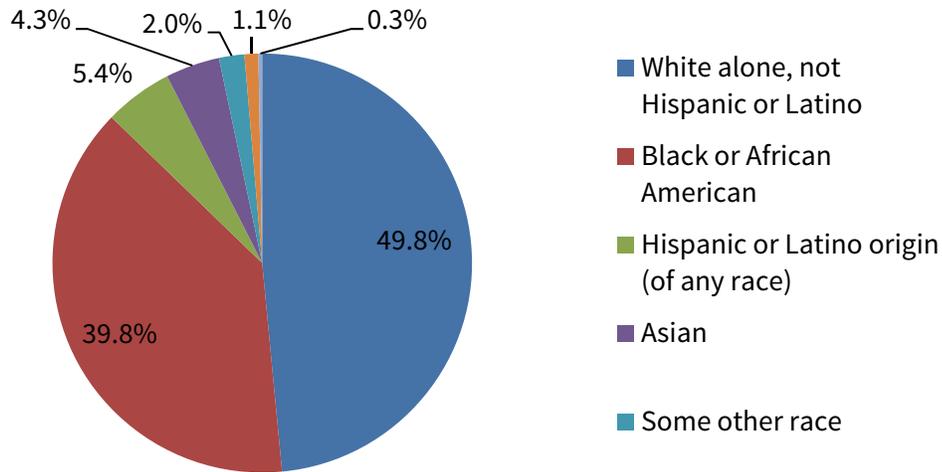
Following a brief profile of Philadelphia’s current 65+ population, this report provides an overview of the retirement security issue and the major barriers to achieving financial security in old age. Second, the report outlines a number of potential policy strategies that may help to improve retirement security among Philadelphia’s residents; many of these approaches are in various stages of implementation across the country.

SECTION 1: PHILADELPHIA’S 65+ POPULATION

In Philadelphia, 12.3 percent (or 189,666) of the city’s 1.55 million residents are 65 years or older; 61 percent of them are women.¹ The median age of Philadelphia’s 65+ population is 74.3 years. Nearly half of the city’s seniors identify as white, 40 percent as Black or African American, five percent as Hispanic or Latino and four percent as Asian (Figure 1). Fourteen percent of city residents age 65 and older are foreign born.

¹ Data for this section comes from the U.S. Census, American Community Survey, 5-year estimates, 2014, unless otherwise noted.

Figure 1: Racial Composition of Philadelphians Age 65+

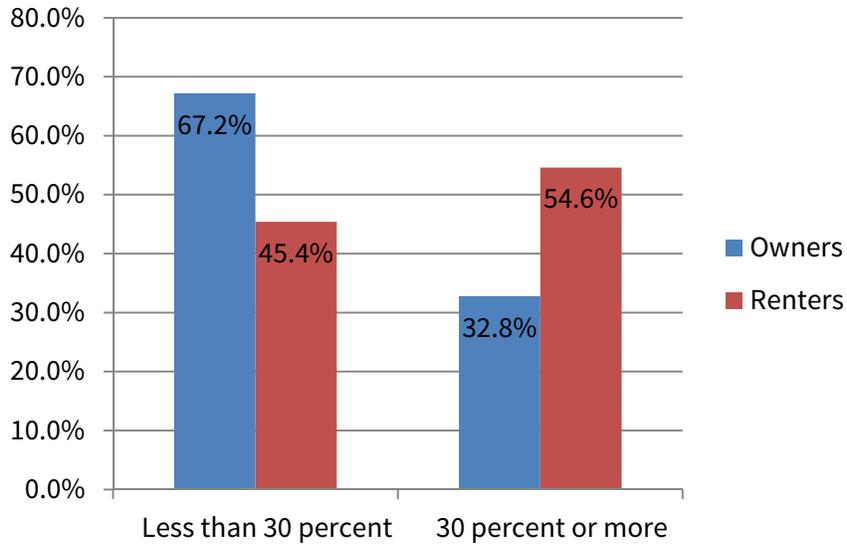


Data Source: US Census, American Community Survey, 2014, 5-Year Estimates

The vast majority of Philadelphia’s 65+ population is no longer in the labor force; only 13 percent of them are still employed. Close to 90 percent of Philadelphia’s seniors live in households that receive Social Security. The average Social Security income is \$16,429 per year. Only 44 percent of elderly households in the city receive some sort of other retirement income, which means that seniors in Philadelphia rely heavily on Social Security as a source of income.

About half of Philadelphia’s senior households (55 percent) consist of single householders living alone. Close to 70 percent of city residents age 65 and older live in housing units they own. About 30 percent rent. Over half of Philadelphia’s senior renters spend 30 percent or more of their income on housing, compared to about one third among those who own (Figure 2).

Figure 2: Monthly Housing Costs as a Percentage of Household Income for Philadelphians 65+



Data Source: US Census, American Community Survey, 2014, 5-Year Estimates

Many seniors in the city are poor. Even though Philadelphia’s 65+ population is somewhat better off than Philadelphians overall, poverty is still widespread among older residents. The median household income of Philadelphians age 65 and older is \$26,533 per year. One third of the city’s seniors have incomes below 150 percent of the federal poverty level and 21 percent are in the Supplemental Nutritional Assistance Program.

The economic situation of Philadelphia’s seniors is even more concerning when considering local cost of living and the income needed to live a dignified life in old age, which is what the Elder Economic Security Standard Index (Elder Index) attempts to capture.² According to the Elder Index, a senior household in Philadelphia needs \$28,750 a year to meet its basic needs without relying on public assistance.³ More than half of Philadelphia’s senior households live on less than that and therefore may be forced to make difficult choices between their basic needs such as food, medicine, heating or cooling. This number is likely to increase in the future due to a number of alarming nationwide and city-level trends, which are the subject of the following section.

² Economic Security Database, 2016

³ This estimate was derived by averaging the Elder Index estimates for elderly single and couple households with different housing situations. According to the Elder Index for Philadelphia, the estimated needed income is as low as \$18,804 a year for elderly single households that own and have no mortgage, and as high as \$37,068 a year for elderly couple households that own and have a mortgage. <http://www.basiceconomicsecurity.org/EI/location.aspx>

SECTION 2: RETIREMENT SECURITY - THE ISSUE

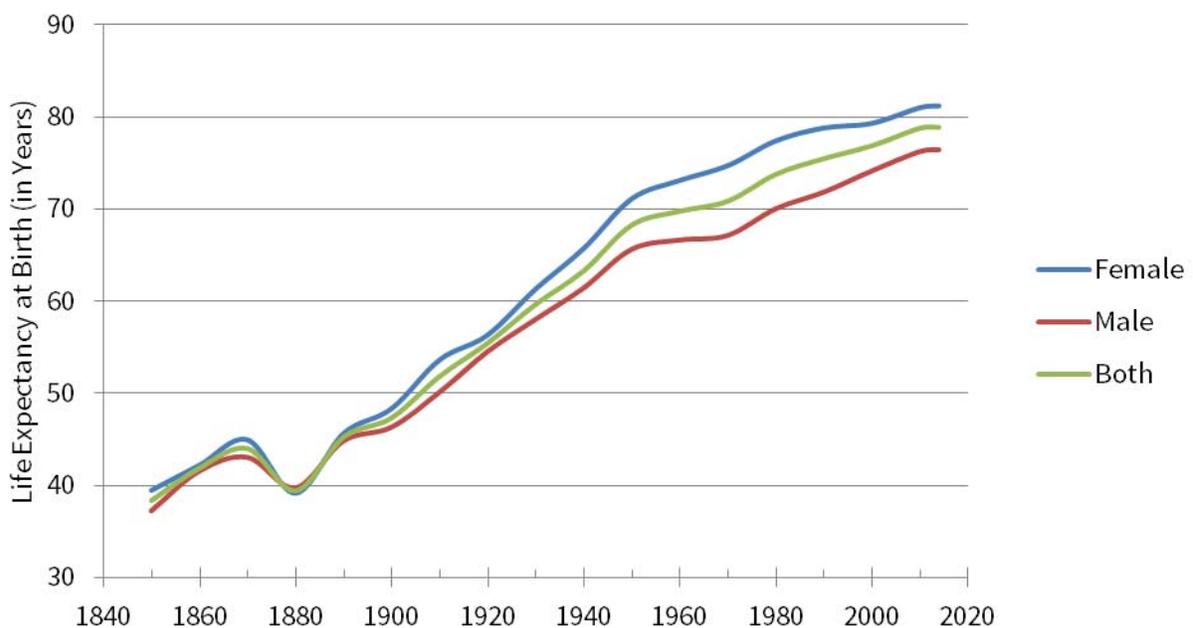
There are a number of interrelated factors that have contributed to the retirement crisis in America. Several broad trends and shifts have changed the parameters for building retirement security over the last few decades. In this altered context, Americans face numerous obstacles to building financial security for their senior years. Stark disparities in retirement security exist between different subgroups, which mirror broader patterns of persistent inequality in America. The situation in Philadelphia generally reflects these national trends.

2A: Broader Shifts Shaping Retirement Security

The Longevity Revolution

The remarkable gains in life expectancy since the late 19th century are one of the most important trends that have impacted retirement security in the United States and other developed countries. In 1850, the average American's life expectancy at birth was only 38 years (Haines, 1994). Since then, this number has more than doubled (Figure 3).

Figure 3: Life Expectancy at Birth in the United States, 1850 - 2014



Date Sources: Haines, 1994⁴; Social Security Administration, 1983⁵; Center for Disease Control, 2015⁶

⁴ Source of estimates for 1850, 1860, 1870, 1880, 1890

⁵ Source of estimates for 1910, 1920, 1930, 1940

⁶ Source of estimates for 1900, 1950, 1960, 1970, 1980, 1990, 2000, 2010, 2014

In 2014, the average life expectancy at birth in the United States was almost 79 years; 81 years for women and 76 years for men (Center for Disease Control, 2015). These astonishing increases in life spans are nothing short of a demographic revolution.⁷

Moreover, the continuous declines in death rates, paired with low birth rates have led to the aging of the population. The share of the population age 65 and over has never been higher and is growing at unprecedented rates. In 2014, 46 million Americans were 65 years and older. By 2060, this number will have more than doubled (Mather, Jacobsen & Pollard, 2015). The aging of the baby boomers - those born between 1946 and 1964 - is one of the factors contributing to this trend. While the cohort of the baby boomers will actually experience more financial security in old age than previous generations, the opposite may be true for subsequent cohorts (Mather et al., 2015).

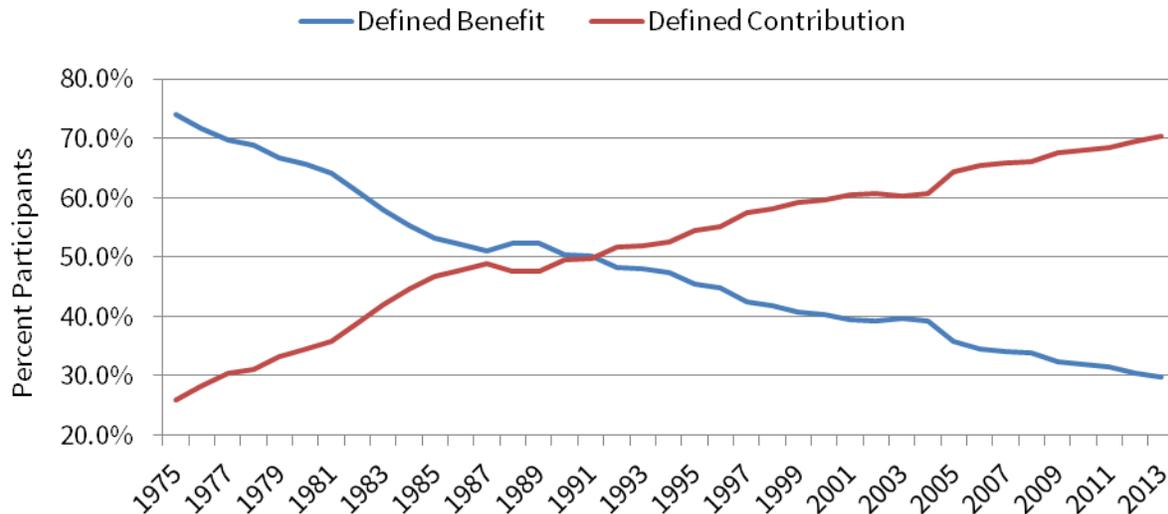
In this society of longer lives, the average person needs more retirement assets to last them through a longer phase of retirement. When President Franklin D. Roosevelt signed Social Security into law in 1935, the average American's life expectancy at birth was lower than the retirement age of 65 years. For those that actually reached age 65 in 1940, women could expect to live another 14.7 years, men another 12.7 years (Social Security Administration, n. d.). By 2014, these numbers increased to 20.5 years for women and 18 years for men (Center for Disease Control, 2015). The US Social Security system has not kept pace with the longevity increases and is now greatly underfunded (John, 2010).

Shift from Traditional DB Pensions to DC Savings Plans

In the last few decades, responsibility for retirement planning and saving in America has increasingly been transferred to the individual. One of the main drivers of this trend has been the shift from traditional defined benefit (DB) pensions to defined contribution (DC) saving plans such as 401(k)s in the private sector (Weller, 2016). According to the Employee Benefit Research Institute, the share of private sector workers enrolled in traditional DB pension plans decreased by almost two-thirds since the late 1970s, while the share of those enrolled in DC plans more than doubled (Figure 4).

⁷ Importantly though, national and even local averages conceal alarming discrepancies in life expectancy by race, income, education and place of residence. Longevity gains have been far greater among those at the top of the income and education distributions than among those at the bottom - and the gap is widening (Bosworth, Burtless & Zhang, 2016). Life expectancy at birth in Philadelphia County is substantially lower than in surrounding counties, Pennsylvania or the nation. In 2012, female life expectancy in Philadelphia was 78.6 years and ranked in the middle 50 percent of all US counties. Male life expectancy in the city was 72.6 years in the same year and ranked in the worst 25% of all US counties. Compared to the national averages, life expectancy in Philadelphia is 2.6 years lower for women and 3.9 years lower for men (Institute for Health Metrics and Evaluation, 2015). Even within Philadelphia, life expectancy at birth varies substantially across different neighborhoods. Life expectancy at birth is as high as 88 years in affluent parts of the city and as low as 68 years in poor neighborhoods (Center on Society and Health, 2016).

Figure 4: Percent of Plan Participants in Defined Benefit and Defined Contribution Plans in the United States from 1975-2013



Source: Department of Labor: <https://www.dol.gov/ebsa/pdf/historicaltables.pdf>

In contrast to DB pensions, contributions to DC plans are voluntary and require employees to make their own, often complex, investment decisions. DC plans also do not pool the risk of investment fluctuation and longevity of large numbers of employees, as DB pension plans do. This results in higher costs and increased exposure to the volatility of the market for individual participants, as the Great Recession of 2008-09 demonstrated (Almeida & Forna, 2008).

Most Americans enrolled in DC plans fail to save sufficient amounts of money to provide for adequate income in retirement. In Pennsylvania, the median retirement account balance in 2011 was just \$35,000, according to the Survey of Income and Program Participation (SIPP). Unless individuals manage to acquire substantial savings and use their retirement savings to buy annuities, there is a serious risk of outliving one's savings. Increases in life expectancy have further magnified that risk. Moreover, individuals can drain their retirement savings accounts when faced with economic hardship - and many do, despite substantial penalties for early withdrawals.

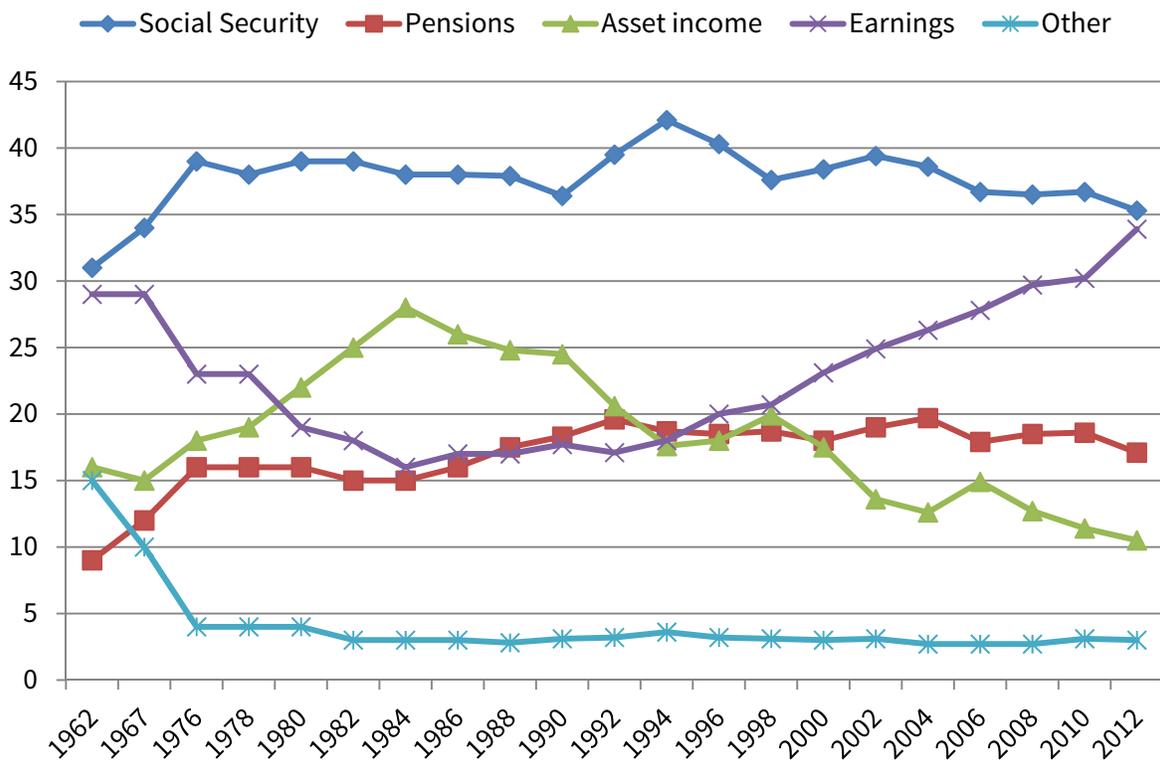
Weakened Social Security

Social Security is the bedrock of the American retirement system and the most important source of retirement income for many Philadelphians. Data suggests that more than one-third of seniors depend on Social Security for more than 90 percent of their income (Social Security Administration, 2014). In particular, women and minorities often depend on Social Security as their primary source of income in retirement (WISER, 2008). However, Social Security was not meant to provide more than a minimum of protection in retirement. By itself, Social Security benefits are usually not sufficient to prevent downward social mobility in old age.

The average Social Security income of senior households in Philadelphia is \$16,429 per year (ACS, 2014). Using the Elder Index as a benchmark, that amount is not nearly enough to allow a senior household in the city to live a dignified life.

Moreover, Social Security is replacing a declining percentage of pre-retirement income, as benefit cuts that were passed in 1983 are starting to take effect (Reno, Bethell & Walker, 2011). Consistent with that, Social Security’s share of income among senior household in the United States has been slowly declining since the mid-1990s, while the share of income derived from earnings (i.e. work) has almost doubled (Figure 5).

Figure 5: Shares of Aggregate Income of 65+ Households in the United States, By Source, Selected Years (in Percent)



Source: Social Security Administration, 2014

Social Security will certainly continue to play a key role in Philadelphians’ retirement security in the future. However, there is an urgent need to increase city residents’ retirement savings to replace a sufficient share of their pre-retirement earnings.

Rise of Contingent Workforce

Structural changes in the economy and labor market have brought about new employment practices and more flexible work arrangements. Temporary, part-time and freelance work has been on the rise nationwide (U. S. Department of Commerce, 2015). According to a recent study, the share of workers in alternative work arrangements⁸ increased from 10.1 percent to 15.8 percent between 2005 and 2015 (Katz & Krueger, 2016). This growing workforce of contingent workers typically lack access to employer-based retirement plans of any kind (Government Accountability Office, 2015).

Consistent with those national trends, data suggests that access to workplace retirement plans in Philadelphia is especially meager in lower-paying industries (see Mester & Sen, 2013, p. 5) such as leisure & hospitality, other services and transportation & utilities, where we would also expect larger shares of contingent workers (CPS, 2015).

Moreover, the number of sole proprietors (i.e. the self-employed) in Philadelphia has increased significantly in recent years. In fact, the number of sole proprietors in the city's workforce more than doubled between 1999 and 2011 (Center City District, 2014). While there are a number of tax-advantaged retirement plan options such as the SEP IRA or SIMPLE IRA available to sole proprietors and small business owners, they need to actively seek out those plans and enroll in them. Currently, there is minimal information available about how sole proprietors in Philadelphia are preparing for retirement.

Growing Personal Debt

Personal debt has been on the rise in the US, which can have dire consequences for retirement security. More than three-quarters of US households has debt, most commonly in the form of mortgage debt, followed by credit card, automobile, and educational debt (The Pew Charitable Trusts, 2015). Research suggests that the growth of student debt has particularly alarming effects on working age adults' ability to save for retirement and acquire financial assets through homeownership (Munnell, Hou & Webb, 2016).

Another related and concerning trend is that Americans are approaching retirement age with substantially more debt than previous generations. More Americans take on debt late in life or carry debt into their retirement years (The Pew Charitable Trusts, 2013; 2015). Mortgage debt in particular substantially increases a senior's living costs. Elderly households in Philadelphia that have a mortgage spend on average 2.4 times more on housing (\$7,464 per year) than senior households that own their housing unit outright (ACS, 2014).

⁸ Defined as temporary help agency workers, on-call workers, contract workers, and independent contractors or freelancers (Katz & Krueger, 2016).

Rising Medical Costs

Financial security in retirement is also under threat because of rising healthcare costs. Out of pocket medical expenses are consuming an increasing share of seniors' retirement income and erode the prospects of financial security in old age for today's working-age adults.

According to the Elder Index, a senior in Philadelphia currently needs \$423 per year, on average, to cover out-of-pocket medical expenses. Research suggests that millennials will face about four times higher expenses for health care in their senior years than current retirees (Butrica & Waid, 2013, p. 10).

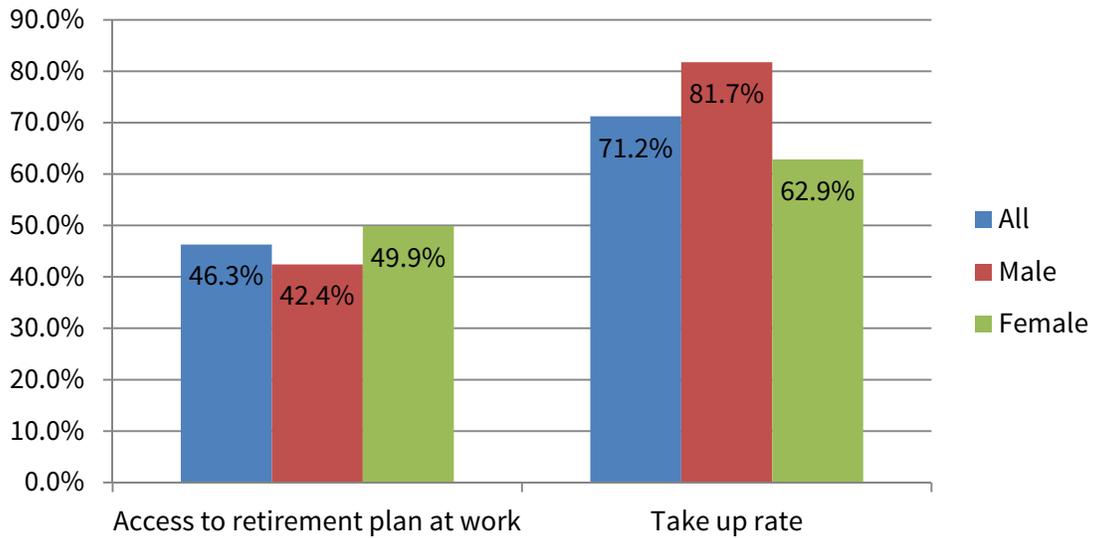
2B: Lack of Access to Employer-Sponsored Plans

Access to an employer-based retirement savings plan is crucial for accumulating sufficient funds for retirement. Data from the 2015 Current Population Survey's Annual Social and Economic Supplement (CPS ASEC) suggest that 54 percent of employees in Philadelphia (about 334,000) do not have access to a retirement plan at work.⁹ Low access rates are particularly common among minorities, younger workers and those with low to moderate incomes (CPS, 2015; Brookings Institution). Access and participation rates also tend to be much lower among part-time and seasonal workers than among full-time employees. Small businesses are particularly unlikely to offer retirement savings plans to their employees (Government Accountability Office, 2013).

Even among employees with access to an employer-based plan, many do not participate (The Pew Charitable Trusts, 2016). In Philadelphia, roughly 30 percent of employees with access to a workplace plan do not participate in it (Figure 6). Male workers in the city tend to take advantage of employer-sponsored retirement plans more often than women, despite the fact that women have greater access to such plans. The differential take-up rate may have to do with the persistent earnings gap between male and female workers. Median weekly earnings of female full-time employees in the city are almost 18 percent lower than those of male workers (Bureau of Labor Statistics, 2015).

⁹ Current Population Survey data on retirement plan access and participation rates at the county level should be considered rough estimates due to small sample sizes.

Figure 6: Employer-Based Retirement Plan Access and Participation among Philadelphia Employees*



* Numbers should be considered rough estimates due to small sample sizes at the county level.

Source: U.S. Census, CPS ASEC, 2015

Of course, employees without access to retirement savings plan at work can set up an Individual Retirement Account (IRA) and save on their own for retirement - but very few do (Gale & John, 2015). Importantly, private IRAs - unlike employer-sponsored plans - are not covered by the protective laws of the Employee Retirement Income Security Act (ERISA) of 1974. Annual contribution limits for IRAs are substantially lower (\$5,500) than for ERISA plans (\$18,000) and fees are often much higher and less transparent.

2C: Insufficient Retirement Savings

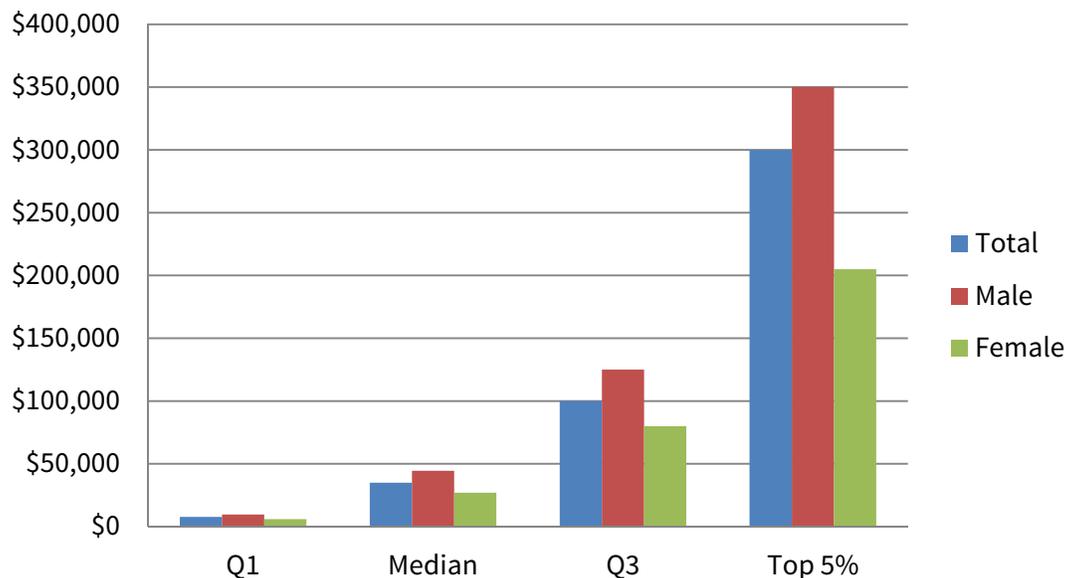
Americans do not save enough for retirement. In fact, research suggests that the average working household has virtually no retirement savings (Rhee, 2013a). Those with access to a work-based retirement savings plan generally do better, but typically still fail to save enough.

Financial experts recommend saving 15 percent of monthly income over the course of a 40-year career to achieve financial security in old age. Few Americans manage to do that. In particular, low to moderate income households without access to retirement plans at work struggle to save for retirement (Rhee, 2013a).

Among Pennsylvanians with retirement accounts, the median account balance in 2011 was just \$35,000, according to SIPP. Importantly, there is a substantial gap between men and women's

retirement savings. Women’s median retirement account balance is just \$27,000, compared to \$44,500 for men in Pennsylvania (Figure 7).

Figure 7: Distribution of Value of Retirement Accounts for Those 15 Years and Older Owning a Retirement Account in Pennsylvania, 2011 (in Dollars)*



*Data is unweighted, estimates may be biased due to over-sampling of low income households.

Source: U.S. Census, Survey of Income and Program Participation, Panel 2008, Wave 11

While Philadelphia-specific data are not available, it is almost certainly the case that retirement account balances are significantly lower in Philadelphia than in Pennsylvania. This is because in Philadelphia there is a larger proportion of precisely those groups that are most likely to have inadequate retirement savings - namely minorities and low income workers.

2D: Lack of Financial Literacy

Financial decision-making has become increasingly complex and responsibility for retirement planning and saving rests more than ever on the individual. When it comes to building financial security for old age, many if not most people lack the financial sophistication to make sound decisions. Making poor financial decisions - especially early in life - has serious consequences for retirement security. People’s ability to build financial security for their senior years depends more than ever on financial literacy (Mitchell & Lusardi, 2011).

Research suggests that two thirds of young adults lack basic understanding of financial concepts (Lusardi, Mitchell & Curto, 2010). Financial literacy is strongly correlated with socioeconomic characteristics. Low levels of financial literacy are particularly pronounced among women, minorities

and those with lower levels of education (Mitchell & Lusardi, 2015). Having large shares of these at-risk groups, Philadelphia faces a particular challenge when it comes to the financial literacy of its population.

Controller Alan Butkovitz has recognized the need for financial education and works with several non-profit organizations and government agencies to provide free resources for Philadelphians of all ages through the Philadelphia City Controller's Bank on Philadelphia initiative. A core component of the initiative focuses on youth financial literacy and offers tools for educators, parents and students. Many of the course programs offered in schools emphasize retirement savings in an effort to get students as young as elementary school age to start realizing the benefits of saving for their future.

2E: Disparities in Retirement Security

Gender Gap

Women are less likely to be financially secure in retirement than men. Women tend to earn less, live longer and interrupt their careers more often to care for family members than men (WISER, 2015). According to a 2016 Pew study, they are also about twice as likely as men to work part time. Together these factors result in a gender gap in retirement security.

Reflecting this general trend, women's median retirement savings account balances in Pennsylvania in 2011 were almost 40 percent lower than that of men, according to the SIPP Census. Federal data also suggests that women in Philadelphia participate less often in retirement savings plans offered to them by their employers than their male counterparts. The pay gap between male and female workers is likely one of the main drivers of women's lower retirement savings and lower participation rates in workplace plans. According to the Bureau of Labor Statistics, women's earnings were only 82.5 percent of those of men in Philadelphia in 2015.

Racial Gap

There are persistent racial disparities when it comes to retirement security. Racial minorities are much less likely to have access to an employer-sponsored plan and also lag behind non-minorities in terms of private IRA ownership and amount of retirement savings. Minority workers tend to be overrepresented in industries that do not offer retirement plans, such as non-union construction, services and daycare. They are also less likely to have high-paying jobs (Rhee, 2013b). A recent study suggests that on average, white workers have nearly five times more retirement assets than black workers (Morissey, 2016). Consequently, racial minorities are much more likely to be economically vulnerable in their senior years than whites.

Income Gap

Research suggests that income inequalities translate into even larger disparities in retirement savings. According to the Economic Policy Institute (2016), there is a large and widening gap in retirement savings between higher-income and lower-income families. High-income families are also 10 times more likely to have a retirement savings account than low-income families.

Intersecting Disadvantages

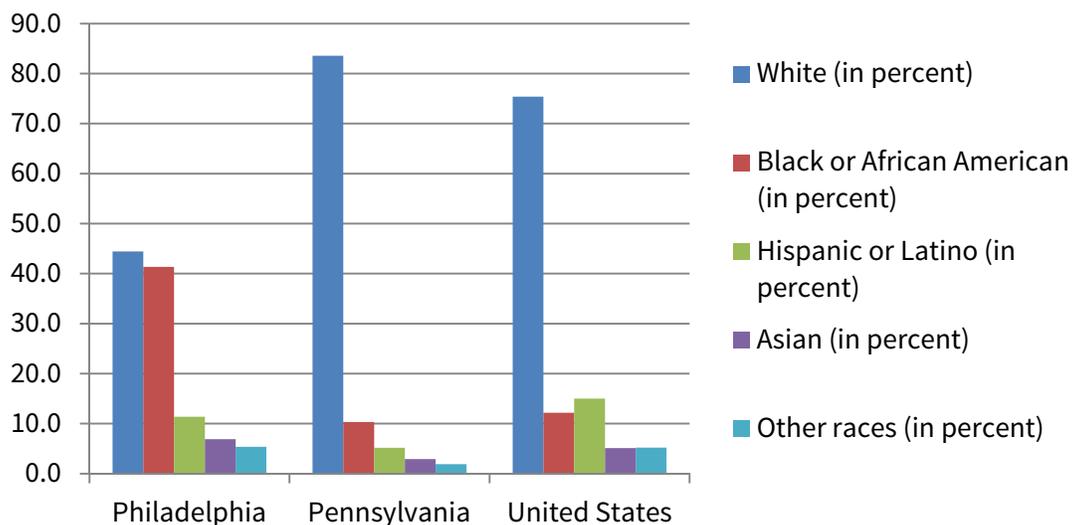
The groups that tend to struggle most to build financial security for retirement are:

- low to moderate income earners
- minorities
- women
- younger workers
- part-time, temporary and seasonal workers
- employees of small businesses

All of the above are also disproportionately likely to lack access to an employer-sponsored retirement plan. These categories often intersect - e.g. a young black woman working part-time at a small business - which magnifies disadvantage. This is particularly true in Philadelphia, where “at risk” groups make up relatively large shares of the population.

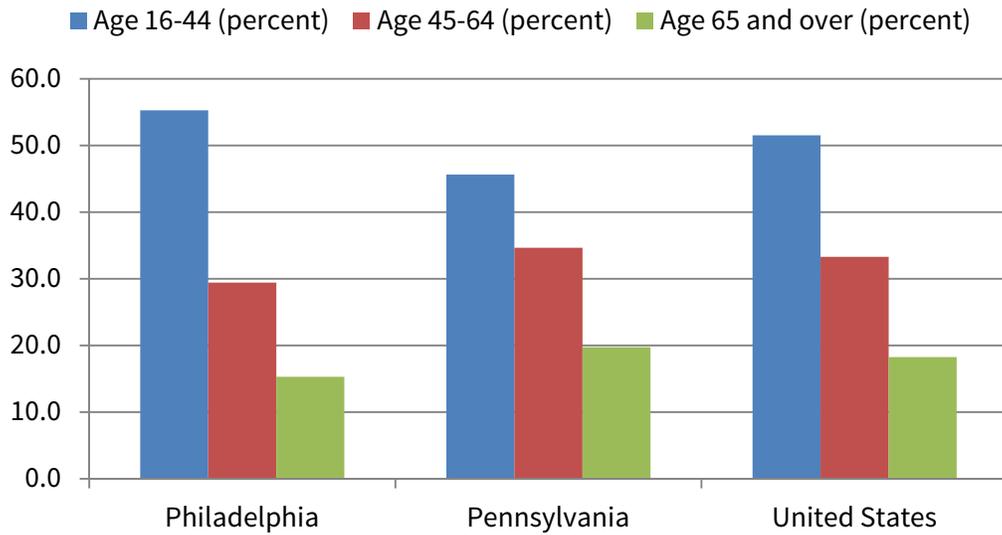
The following figures illustrate how Philadelphia’s population differs from that of Pennsylvania and the United States, in terms of race, age, income and poverty (Figures 8-11).

Figure 8: Racial Composition of the 16+ Population (in Percent)



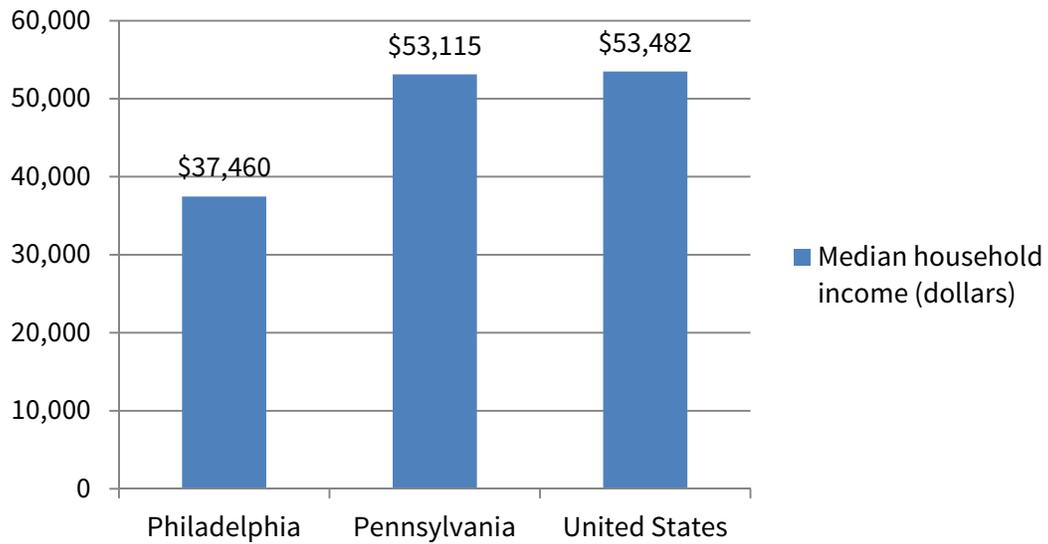
Data Source: US Census, American Community Survey, 2014, 5-Year Estimates

Figure 9: Age Composition of the 16+ Population (in Percent)



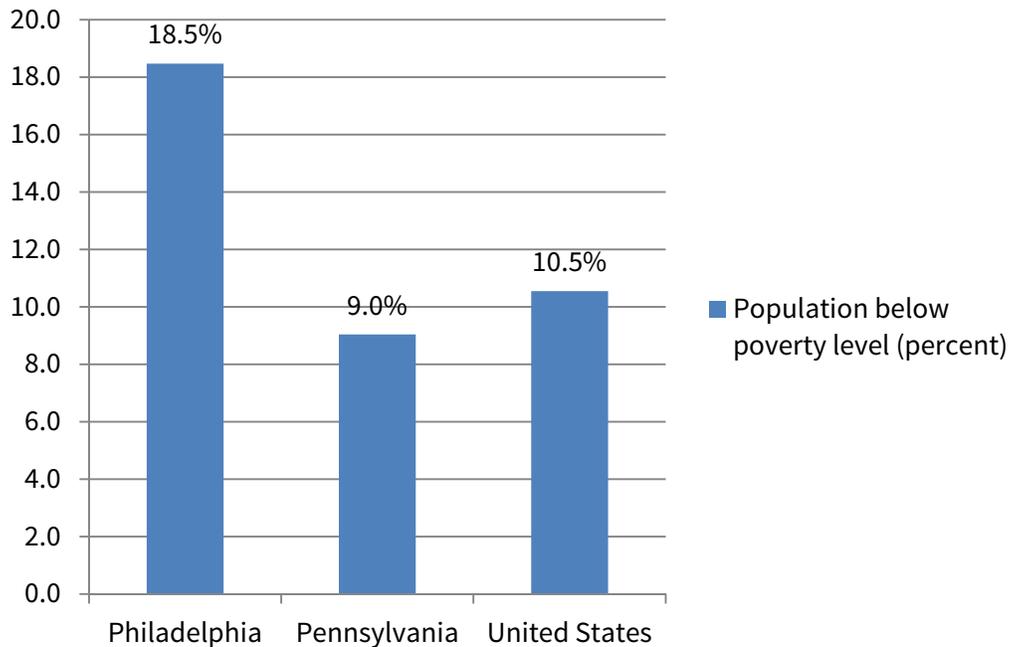
Data Source: US Census, American Community Survey, 2014, 5-Year Estimates

Figure 10: Median Household Income (in 2013 Dollars)



Data Source: US Census, American Community Survey, 2014, 5-Year Estimates

Figure 11: Poverty Rate among the 16 + Population (in Percent)



Data Source: US Census, American Community Survey, 2014, 5-Year Estimates

As shown in the figures above, Philadelphia has a lower median household income and substantially higher shares of minorities and population below the poverty level than Pennsylvania or the US overall. The preponderance of high-risk groups makes addressing the retirement security dilemma particularly challenging.

However, Figure 9 represents something of a silver lining: Philadelphia's population is noticeably younger than the state's or the nation's. The median age of Philadelphia's population is 33.6 years, compared to 40.4 years in Pennsylvania and 37.4 years in the United States overall. The City's relatively young population is potentially an advantage for addressing the looming retirement crisis at the local level. Small changes in retirement savings behavior can have only a small impact on the retirement assets of older workers, but the power of compound interest can make a major difference for younger workers that still have decades before reaching retirement age. This presents an opportunity for policy makers to act now and create a strategy that will help more Philadelphians to get on a path to financial security in old age.

SECTION 3: POLICY STRATEGIES

The federal government has failed to provide adequate solutions to stop the erosion of retirement security in the US. States and municipalities have become increasingly concerned about the burden that insufficient retirement savings will impose on their budgets and economies in the future. They

will likely face rising demand for public programs that serve poor seniors and see decreased spending of retirees in their local economies.

Given the inaction at the national level, states around the country have stepped in and proposed legislation to help increase retirement readiness among their residents.¹⁰ A few large cities are considering following their example. Philadelphia should be one of them.

The City could pursue a number of policy strategies to broaden access to high quality retirement savings plans for employees that currently do not have retirement plans at work. Mirroring state-level initiatives, the City could consider adopting one or several of the following approaches:

- A Secure Choice or Auto-IRA Program
- An open Multiple Employer Plan (“Open MEP”)
- Prototype plans
- A Retirement marketplace
- Promotion of the US Treasury’s myRA program

With the exception of the promotion of myRA, all of these policy strategies interact in some ways with complex federal regulations - the Employee Retirement Income Security Act (ERISA) of 1974. Fortunately, the Department of Labor, the federal agency responsible for ERISA’s regulatory framework, has recently taken first steps to clarify the regulatory environment that frames these policy efforts.

The following pages provide an overview of the different policy strategies, their pros and cons and the relevant regulatory framework.

3A: Overview of Potential Approaches

Secure Choice or Auto-IRA

When it comes to retirement planning and savings behavior, research suggests that individuals tend to do what requires the least amount of effort - they usually follow the “path of least resistance” (Choi et al., 2006). That is why workplace retirement plans that have auto-enrollment and default contribution features and those that offer simple choices can substantially increase plan participation and contributions (Beshears et al., 2013; Choi et al., 2006; Madrian & Shea, 2001). Secure Choice or Auto-IRA programs build on these insights from behavioral economics and take advantage of people’s financial inertia.

¹⁰ See Georgetown’s Center for Retirement Initiatives for an overview of legislative activity <http://cri.georgetown.edu/states/>

In the Secure Choice or Auto-IRA model, a governmental entity such as a state or municipality establishes a state-run IRA program and requires that all private-sector businesses within its jurisdiction that do not offer a retirement savings plan enroll in the program.¹¹ Employees of those businesses are, in turn, automatically enrolled in the IRA program, with a default share of pay automatically contributed to the IRA - unless they opt-out.

California was the first state to introduce legislation to establish a state-run Auto-IRA program, the California Secure Choice Retirement Savings Trust Act, passed in 2012. Once in effect, probably in 2017, the Act will require private sector employers with five or more employees that do not offer a retirement plan to automatically enroll their employees in a state administered payroll deduction IRA; they may also choose to sponsor their own plan. Unless employees opt out, a three-percent payroll deduction will automatically be placed into the state IRA. The employees' assets would then be pooled and professionally managed.¹²

The legislation established the California Secure Choice Retirement Savings Investment Board, chaired by the state treasurer, to administer the program. The Board was tasked with conducting a feasibility study to demonstrate that the state's Auto-IRA would be financially self-sufficient, qualify for federal tax advantages, and not be considered an employer-sponsored plan under ERISA.¹³ The Board completed the feasibility study in March 2016 and has since urged lawmakers to move ahead with setting up the program according to its recommendations.¹⁴

In the last few years, states around the country have followed California's lead and introduced legislation to study or establish similar state-run Auto-IRA programs for private sector workers without access to workplace retirement plans.¹⁵ So far, Illinois, Connecticut, and Oregon have also successfully passed Auto-IRA legislation; other states are likely to follow soon. Cities such as New York and Seattle have also expressed interest in Secure Choice programs.

The various proposed Auto-IRA programs generally resemble California's Secure Choice model, but program design details differ from state to state. In some states, the employer mandate kicks in at 5 employees, in others it is 25 employees. The level of default payroll deductions varies from 3 to 5 percent, and some plans include auto-escalation of contributions.¹⁶

¹¹ At present the US Department of Labor is determining whether states and municipalities will be granted a "safe harbor" from ERISA's rules; RIN 1210-AB71.

¹² Pension Rights Center

¹³ If the state Auto-IRA would be considered an employer-sponsored employee benefits plan (i.e. an ERISA plan), ERISA would preempt the state program (Center for Retirement Initiatives). See Section 3B below for more detail.

¹⁴ California State Treasurer, 2016

¹⁵ See Georgetown's Center for Retirement Initiatives for an overview of states' legislative activity to increase retirement security: <http://cri.georgetown.edu/states/all-states/>

¹⁶ Center for Retirement Initiatives, 2015.

While the Secure Choice or Auto-IRA has been the most common approach, a few states have taken different paths to increase retirement security among their residents. Some are considering state-sponsored Open Multiple Employer Plans (“Open MEPs”), Prototype Plans, and state-facilitated Retirement Marketplaces. In contrast to the Secure Choice auto-IRA programs - which, as state-sponsored plans are not subject to ERISA - these alternative approaches are subject to the rules and consumer protections afforded by ERISA.

Open Multiple Employer Plans (open MEPs)

Open Multiple Employer Plans (“Open MEPs”) are another promising approach to increasing retirement plan coverage and savings among private sector workers. In this model, a governmental entity such as a state or municipality sponsors a tax-advantaged Defined Benefit or Defined Contribution retirement plan that selected eligible employers - e.g. small businesses without retirement plans - can join. In contrast to Secure Choice programs, the Open MEP is covered by ERISA and thus the state or municipality cannot mandate employer participation. However, an Open MEP could have built-in features that resemble those of Secure Choice plans. For instance, it could have auto-enrollment and default payroll deductions that would automatically apply to the employees of participating firms. As in the Secure Choice model, individual employees would always have the right to opt-out of the plan or change their payroll contributions at any time.

In the Open MEP model, participating employers share the costs of the plan, while most of the administrative and fiduciary responsibility rests on the plan sponsor, the state or municipality. The sponsor could in turn pass much of that responsibility onto a carefully selected financial services provider. Lower costs and liabilities make Open MEPs an attractive option for small businesses that want to offer a retirement plan to their employees but do not have the capacity or financial means to sponsor their own ERISA plan. However, due to the voluntary nature of the program, employer participation would likely be lower than in a mandatory Secure Choice or Auto-IRA program. Thus the success of an Open MEP would strongly depend on an effective outreach campaign that engages the small business community.

Prototype Plans

Another approach to expand retirement plan coverage and encourage retirement savings are publicly-administered Prototype Plans. Prototype Plans strongly resemble Open MEPs. In a Prototype Plan structure, the state or city offers a tax-advantaged retirement plan such as a 401(k) to selected eligible employers. As in the Open MEP model employer participation must be completely voluntary. Participating employers can choose certain plan features from a menu of pre-selected choices. In contrast to Open MEPs though, each participating employer ultimately sponsors its individual, but standardized, ERISA plan - the prototype. Nonetheless, the state or city could take on much of the employer’s administrative and fiduciary responsibility for the plan.

Retirement Marketplace

Yet another approach to addressing the looming retirement crisis would be the establishment of a retirement marketplace by a state or local government. Washington was the first state to pass retirement marketplace legislation. In New Jersey, after Governor Chris Christie vetoed a bill that would have created a California-like Secure Choice program, legislation was recently passed that will create a retirement marketplace.

Structured somewhat like the Affordable Care Act, the marketplace model attempts to make it easier for small businesses to find high-quality low-cost retirement plans for their employees. The state or city facilitates a web-based platform that connects eligible small businesses with providers that offer retirement plans that are pre-screened and found suitable for small businesses. The plans offered in the marketplace can include both ERISA and non-ERISA plans. Participation in the marketplace must be completely voluntary.

By itself, a retirement marketplace hardly alters the retirement plan landscape for small businesses. It makes it a little easier for them to identify suitable plans, but does not address major barriers to plan provision that small employers commonly cite, such as concerns about costs and liabilities. It is unlikely that such a plan alone would substantially increase retirement plan coverage among employees of small businesses.

Campaign Promoting myRA

In November 2015, the Obama administration launched a new retirement account program - “myRA” - to help low- and middle-income Americans without work-based retirement accounts to start saving for retirement. MyRA is a free Roth IRA that safely invests citizens’ savings in a new US Treasury Security Fund that cannot lose money.¹⁷ Participants can contribute to myRA by setting up automatic payroll deductions, transferring money from a checkings or savings account or directing some or all of their federal tax refund to their account. The maximum annual contribution limit is \$5,500 (or \$6,500 per year for people 50 years and older) and the lifetime maximum aggregate contribution is \$15,000.¹⁸ While myRA may not be the ideal retirement savings option for all workers without retirement plans, it could play an important role in fostering a savings habit among certain classes of workers.¹⁹

The federal government’s myRA program could be the cornerstone of a financial literacy campaign that would educate Philadelphians about retirement savings and promote myRA as a free and secure

¹⁷ The fund’s return on investment was 2.31 percent in 2014 and had an average annual return of 3.19 over a ten year period.

¹⁸ For more information about US Treasury’s myRA retirement savings program, go to www.myra.gov.

¹⁹ myRA may not be the most appropriate investment choice for younger workers. Since myRA contributions are invested in government securities, they are low risk and have very low return on investment. Younger people with a longer investment time window can generally tolerate more risk than older workers and benefit from the higher returns of riskier investment options (Polzer, 2015). MyRA does not allow them to do that.

option to start saving for retirement. In partnership with local and federal governmental agencies, local businesses, nonprofits and community-based organizations, the City could run an effective financial literacy campaign. Ideally, the City would combine such a financial outreach and literacy campaign with one of the other strategies.

3B: The Regulatory Framework

Need for Clarification

As states around the country started passing legislation to address the looming retirement crisis (largely via state-run Auto-IRAs), there was much confusion and worry about how federal regulations would affect these initiatives. More specifically, states were concerned that the Employee Retirement Income Security Act of 1974 (“ERISA”) that regulates employer-sponsored retirement plans in the private sector would apply to their programs or even preempt them. In fact, the implementation of most states’ Secure Choice legislation has been contingent on finding that their Auto-IRA programs would not trigger ERISA.

ERISA plays a crucial role in safeguarding employees’ retirement funds in the private sector. ERISA-regulated retirement plans such as 401(k)s have higher contribution limits than IRAs (\$18,000 vs. \$5,500 per year) and allow employer contributions.²⁰ However, ERISA also requires plan-sponsoring employers to comply with strict disclosure and reporting requirements and adhere to high fiduciary standards. That is why smaller employers with limited institutional capacity tend to shy away from sponsoring ERISA plans.

States that have been pursuing state-run retirement programs have had two fundamental concerns with regards to ERISA. First, there is uncertainty as to whether employers that participate in a state-run retirement plan would be considered sponsors of employee benefits plans, and thus be subject to ERISA regulations. Second, states are concerned that ERISA would preempt their state-run initiatives altogether; ERISA prohibits states from mandating private sector employers to set up or administer an ERISA plan and also preempts all state laws that relate to employee benefit plans.²¹

In support of the state-level initiatives, President Obama directed the Department of Labor (DOL) in July 2015 to clarify the regulatory environment and allow states to move forward with implementing their programs. In November 2015, DOL proposed a new rule, [RIN: 1210-AB71](#), that would provide state-run Secure Choice or Auto-IRA programs with a “safe harbor” from ERISA, under certain

²⁰ Contribution limits for both types of plans are higher for older individuals, who are allowed to make “catch-up contributions”. For a more detailed overview of the contribution limits that apply to different types of retirement plans, see for example The Pension Right Center’s fact sheet on [Retirement Plan Contribution and Benefit Limits](#).

²¹ ERISA § 514(a)

conditions.²² DOL also released an Interpretive Bulletin ([Fed. Reg. 80, 222](#)) that lays out alternative options for state-run retirement plans that fall within the scope of ERISA - such as Open MEPs, Prototype Plans and Retirement Marketplaces. DOL has thus far referred only to “states” (not cities or municipal governments) as facilitators or plan sponsors of Auto-IRA programs and alternative ERISA-based plans. However, conversations with DOL staff indicate that the same principles would apply to a ‘sub-sovereign’ such as a City or county, at least in terms of ERISA-covered plans like Open MEPs or Prototype Plans.²³

Safe Harbor for State Auto-IRAs

In its proposed rule, titled Savings Arrangements Established by States for Non-Governmental Employees, DOL laid out the circumstances under which state-run Auto-IRA or Secure Choice programs would be exempt from ERISA. According to DOL’s proposed rule, the safe harbor from ERISA applies to state plans that meet the following criteria:

- 1) A state must establish and administer the Auto-IRA program, either directly or indirectly, and in accordance with state law. The state may contract with commercial service providers such as investment managers and administrators to operate the plan, but is ultimately responsible for safeguarding employees’ payroll deductions and investments. Employers cannot auto-enroll their employees in any other IRAs than the state-run plan.
- 2) Employees that are automatically enrolled in the plan must have the option to opt-out and change their amount of their payroll deductions. The state is further obligated to provide written notice to the employees informing them about their right to opt-out. If these conditions are fulfilled, DOL considers employees’ participation to be voluntary.²⁴ States may also incorporate auto-escalation features into their programs, so that default payroll contribution rates increase over time and with employees’ pay increases.
- 3) States must mandate participation of (certain) employers in the state-run Auto-IRA. Employers that are not covered by the mandate and choose to participate on a voluntary basis would not be allowed to automatically enroll their employees.²⁵
- 4) The involvement of employers must be minimal, limited to ministerial functions that are necessary to implement the program. That is, they can withhold and forward payroll

²² The proposed rule was open to commentary for a 60 day period that ended on January 19, 2016. DOL will likely issue the final rule sometime in the summer of 2016.

²³ Conference call with DOL staff, April 12, 2016.

²⁴ This is in contrast to DOL’s 1975 safe harbor rule for payroll deductions IRAs that required employees’ participation to be “completely voluntary”. “Completely voluntary” meant that employees had to actively opt-in to participate in the plan, rather than being able to opt-out after being Auto-enrolled, as in the proposed safe harbor rule for state-run Auto-IRAs.

²⁵ DOL’s reasoning for making the safe harbor from ERISA contingent on mandating employer participation is that leaving it up to the individual employer to decide whether to participate in the state-run Auto-IRA could open the door to “undue employer influence or pressure to enroll” ([Fed. Reg. 80, 222](#), 2015, p. 72009). Furthermore, if employers would be allowed to choose whether to participate in the state’s Auto-IRA, one could make the argument that the employers are actively involved in establishing or maintaining an employee benefits plan (i.e. an ERISA plan). Both of these conditions would trigger ERISA and lead to the preemption of the states’ Auto-IRA programs (see also Mitchell & Smith, 2016).

deductions from employees' paychecks and perform related ministerial duties such as maintaining records of employee contributions and providing information about the program to employees. Importantly, in contrast to ERISA plans, employers participating in a state-run Auto-IRA program are not allowed to contribute to employee's retirement accounts with matches or other contributions.

States that design their Secure Choice or Auto-IRA programs in accordance with the DOL's proposed safe harbor requirements can be relatively confident that their programs fall outside the scope of ERISA. However, it could ultimately still be up to the courts to decide whether state-run Auto-IRAs are really exempt from ERISA. In other words, even if states that implement Secure Choice or Auto-IRA programs abide strictly by DOL's Safe Harbor requirements, their programs may still be challenged in court. Nonetheless, DOL's proposed rule has certainly reduced the risk of lawsuits.

ERISA -Based Options

When DOL proposed the safe harbor rule for state-run Secure Choice programs, it also released an Interpretive Bulletin that outlines what other retirement programs or plans states could pursue that fall within the scope of ERISA.²⁶ This bulletin clarified how ERISA relates to the alternative policy strategies that a few states were already pursuing, including Open MEPs, Prototype Plans, and Retirement Marketplaces.

Open MEPs: According to DOL's Interpretive Bulletin, a state-run Open MEP offered to small employers without retirement plans would be considered a single ERISA plan, with the state as its main sponsor. Consequently, the administrative and fiduciary responsibilities that are associated with an ERISA plan would not apply to the participating employers individually but to the state-run plan as a whole. Thus, the burden associated with offering an ERISA plan to employees would rest largely with the state that administers the plan. The state could, in turn, pass many of its obligations onto a carefully selected financial services provider or providers. For these reasons, a state-run Open MEP would be a particularly attractive option for small businesses, minimizing their liabilities and expenses. The plan could include auto-enrollment, default payroll deductions, and auto-escalation features, like an Auto-IRA plan, but it could not mandate employer participation.

Prototype plans: From a regulatory perspective the main difference between a state-sponsored Open MEP and a state-sponsored Prototype plan is that in the latter, participating employers would each set up its own ERISA plans. That entails assuming the same responsibilities as sponsoring any regular ERISA retirement plan. However, according to DOL's Interpretive Bulletin, Prototype plan documents could specify that the state is the employer's designated fiduciary and plan administrator. This would

²⁶ That is DOL's Interpretive Bulletin Relating to State Savings Programs That Sponsor or Facilitate Plans Covered by the Employee Retirement Income Security Act of 1974 ([Fed. Reg. 80, 222](#), 2015).

allow the state to assume most of the functions and responsibilities of the employer's Prototype plan. As with a state-run Open MEP, there could be no employer mandate to participate.

Retirement marketplaces: DOL further explained in its Interpretive Bulletin that plans included in a state-facilitated retirement marketplace may include both ERISA-regulated plans such as 401(k) and non-ERISA plans such as IRAs. The retirement marketplace itself, the state, would not be subject to ERISA. The state would not establish or sponsor any plans, unless it makes use of the safe harbor from ERISA and offers a state-run auto-IRA in the marketplace or sponsors an open MEP.

In any of these ERISA-based options, participating employees benefit from the higher contribution limits, possible employer contributions such as matches, and the strong consumer protections of an ERISA plan. However, again, in contrast to Secure Choice or Auto-IRA programs, states cannot mandate employers to participate in any of the ERISA-covered plans. In essence, there is a trade-off between the stability afforded by ERISA and the promise of broader participation in the mandatory, non-ERISA plans.

What about Cities?

So far, DOL has only referred explicitly to states in all of the documents it has issued to help clarify the regulatory environment. It is still unclear whether DOL will extend the safe harbor for Secure Choice programs to cities (or other sub-state governmental bodies) in its final rule. It is also uncertain whether DOL will eventually recognize cities as legitimate facilitators or sponsors of the ERISA-based options it described in its Interpretive Bulletin.

During the commentary period for its proposed rule, DOL received several letters from New York City asking it to extend the safe harbor for Secure Choice programs to cities and other large municipalities. Philadelphia City Controller Alan Butkovitz and Seattle City Councilmember Tim Burgess also sent letters to DOL echoing New York City's comments.

Now that DOL is aware that a number of cities are considering similar programs as the states to increase retirement plan coverage and savings among their residents, it is hoped that it will soon clarify how it sees the role of cities and allow them to move forward. That said, nothing is actually preventing cities at this time from pursuing similar efforts as the states. However, DOL's approval is important, because it would discourage legal challenges and reduce the risk of ERISA preemption.

3C: Summary of Key Features, Pros and Cons

In sum, the City of Philadelphia has two fundamental options when it comes to addressing the looming retirement crisis among its residents. It could either pursue a policy strategy that avoids triggering ERISA, such as a City-run Auto-IRA Program or a financial literacy campaign, or it could

choose a strategy that stays within the scope of ERISA, such as Open MEP, Prototype plan, or Retirement Marketplace. Both types of policy strategies have their respective advantages, downsides and challenges.

Compared to all the other approaches, the Auto-IRA has by far the most potential to substantially increase retirement plan coverage and savings among private sector workers in Philadelphia. That is because it is the only program that can mandate the participation of (certain) employers. Moreover, it has auto-enrollment and default payroll deduction features, which are proven to be highly effective.

However, as one of the approaches that falls outside ERISA's scope (using the safe harbor), a city-run Auto-IRA would have relatively low yearly contributions limits (\$5,500) and would not allow employer contributions (or matches). It would also lack the strong consumer protections that are inherent in an ERISA-covered plan, unless the City would replicate those protections when designing the program. It certainly could (and probably should) if it were to choose the Secure Choice path.

ERISA-regulated approaches would provide participants with superior retirement plans than the Secure Choice model. Yet, in contrast to the Auto-IRA approach, the City could not mandate employers to participate in it. Participation in the ERISA-based programs would therefore be lower and depend strongly on an effective outreach campaign in the small business community. On the other hand, because ERISA-regulated plans cannot be mandatory, there is a far lower probability of business opposition.

Of the three ERISA-based options (i.e. open MEP, prototype plans and retirement marketplace), the open MEP model seems the most promising. A city-sponsored open MEP would allow small businesses to offer a high-quality ERISA retirement plan such as a 401(k) to their employees without having to shoulder the administrative and fiduciary responsibilities associated with sponsoring their own ERISA plan. If structured properly, the Open MEP would have auto-enrollment and default payroll deductions features - similar to a Secure Choice or Auto-IRA - that would apply to employees of participating employers.

Furthermore, a city-sponsored Open MEP for small businesses would not only be an effective tool for expanding access to high-quality retirement plans among private sector workers but also enable small businesses in Philadelphia to offer retirement benefits comparable to those of larger employers. It would help them attract and retain talented employees and make Philadelphia a better place for doing business.

The following table provides an overview of the different approaches to increase retirement security and their key features, pros, cons and open questions. It also considers the implications of the federal regulations outlined in the previous section.

Table 1: Overview of policy strategies to increase retirement security

POLICY STRATEGY	KEY FEATURES	PROS	CONS	QUESTIONS / CONTINGENCIES
Secure Choice (Auto-IRA)	<p>Payroll deduction auto-IRA program / auto-enrollment and default contributions (opt-out approach) / auto escalation possible / mandatory participation for small businesses that do not offer plans</p> <p>California, Illinois, Oregon and Connecticut at the forefront / several other states are pursuing “Secure Choice” / NYC and Seattle are also interested in a auto-IRA program</p>	<p>Potential to make a big difference / likely to substantially increase coverage among groups most at risk / lots of research suggests auto-enrollment and default payroll deductions work / virtually no cost to employers / could eventually pay for itself / support from AARP and SEIU likely / lots of interest and momentum around the country</p>	<p>Avoids ERISA / program design is complex / has not been attempted at the city level / small risk of legal challenges / low contribution limits / no employer contributions allowed / need to built-in ERISA-like consumer protections / mistrust in the city’s ability to run such a program likely / some resistance from businesses and financial services industry likely</p>	<p>Will DOL extend the safe harbor from ERISA to cities in its final rule?</p> <p>Small risk of ERISA-preemption (if challenged in court)</p> <p>Building in sufficient consumer protection is crucial</p>
Open MEP	<p>A city-sponsored tax-favored retirement plan that selected small businesses can join / participation is voluntary / city (state) takes on most of the administrative and fiduciary burden (but can contract with professional providers) / plan could be a DB or DC plan / built-in auto-enroll and default payroll contributions possible / is an ERISA plan</p> <p>Massachusetts currently pursues this for small non-profit organizations.</p>	<p>Full protections of ERISA / contribution limits would be much higher than for auto-IRAs or regular IRAs / employer contributions allowed / low burden on participating small employers / helps small businesses be attractive employers / could make the city more attractive for small businesses</p>	<p>Participation must be voluntary, so employer participation may be low / employers retain marginal fiduciary responsibility</p>	<p>DOL has only referred to <u>states</u> as possible sponsors of open MEPs (unclear how it would react to cities as sponsors)</p>
Prototype Plans	<p>City offers a tax-favored prototype retirement plan to certain eligible small businesses / employer participation is voluntary / businesses could select certain plan features / each businesses sponsors their own (but</p>	<p>Full protections of ERISA / contribution limits would be much higher than for auto-IRAs or regular IRAs / employer contributions allowed / possibly lower burden on participating small employers than if they</p>	<p>Participation must be voluntary / participating employers still need to sponsor their own ERISA plans (would probably deters participation) / very similar to the open MEP model but with more</p>	<p>DOL has so far only referred to <u>states</u> as sponsors of prototype plans (unclear how it would react to cities offering them)</p>

POLICY STRATEGY	KEY FEATURES	PROS	CONS	QUESTIONS / CONTINGENCIES
	standardized) ERISA plan / the city could take on some of the administrative burden and fiduciary responsibility	would sponsor a regular ERISA plan	burden on participating employers	
Retirement Marketplace	A platform that connects small businesses with vetted retirement plan providers / employer participation is voluntary / can include both ERISA-covered plans and non-ERISA plans (e.g. myRA). Washington (state) and New Jersey are creating retirement marketplaces.	Small employers can more easily find a suitable low-cost plans / myRA can be one of the plans offered / a city-run auto-IRA or open MEP could be offered / financial services industry (SIFMA) likely to support it	Participation would be low because it's voluntary /	Could be effective in combination with other city-run plans (e.g. auto-IRA, open MEP).
Campaign promoting myRA	A campaign aimed at improving financial literacy around retirement planning and saving / pushing the federal government' myRA program and Saver's Credit	myRA already exists / educational materials exist / little controversy / secure saving option / partnerships with Treasury, SSA and local organizations likely / SIFMA supports myRA / no concerns about ERISA	Limited scope / unlikely to result in high uptake rates (completely voluntary) / relatively small max. savings allowed in myRA (\$5,500 per year, \$15,000 total) / employer cannot contribute / Saver's Credit is non-refundable / returns are low / use as emergency fund, rather than for retirement likely	Unless combined with other strategies, unlikely to be very effective. A tax credit or some other incentive for retirement savings in myRA could make a difference.

SECTION 4: NEXT STEPS FOR PHILADELPHIA

The City of Philadelphia needs to have a serious discussion about the lack of retirement plan coverage and retirement savings among private sector workers, followed by a careful consideration of different policy strategies (including those presented in this report) that could help prevent the looming retirement crisis. Informed by these discussions, the City should then create and implement a plan of action.

Initially, the City should hold hearings that allow various stakeholders to share their perspective on the state of retirement security in the city. The City should invite appropriate members of community

groups and businesses as well as retirement experts to testify in the hearings. The hearings should address the barriers to building retirement security and how the lack of retirement plan access and savings affect both individuals and communities in the city.

Following the hearings, the City should establish a *Philadelphia Retirement Security Working Group*. The mission of the working group should be to gather and evaluate the available information about retirement security in the city and carefully consider different policy approaches to address the city's retirement crisis. The working group should then identify the most adequate policy strategy (or combination of strategies) for Philadelphia and make concrete recommendations for action to legislators or appropriate city agencies.

CONCLUSION

This report is intended as a starting point for a much needed discussion about the alarming state of retirement security in Philadelphia and what could be done about it. Broad trends such as the shift from DB pensions to DC retirement plans, increases in life expectancy and the rise of nontraditional work arrangements have destabilized the pillars of America's retirement security system. The responsibility for financial security in old age lies increasingly with the individual. In this altered context, Philadelphians - as Americans elsewhere - struggle more than ever to save enough for retirement. Women, minorities and low-income workers face particular challenges. Lacking access to a retirement plan at work is one of the major barriers to accumulating sufficient retirement savings. In Philadelphia, more than half of workers (about 54 percent) do not have access to a workplace retirement plan.

The negative long-term consequences of insufficient retirement savings will be most severe at the local level. Rising numbers of poor seniors will increase pressure on local assistance programs and reduce spending in the local economy. Given the inaction at the federal and state level, the City of Philadelphia should take it upon itself to address the looming retirement crisis. It should consider following the lead of states such as California, Illinois, Oregon, Connecticut and Massachusetts that are pursuing innovative policies to expand retirement plan coverage and savings among private sector workers. Policymakers should now work with different stakeholders to identify and then pursue a policy strategy that will help more Philadelphians to get on a path to a dignified retirement.

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States aim to fill pension gaps with "auto IRAs"

With a push from AARP, a small but growing number of states are legislating "automatic IRAs" for the employees of their smaller businesses that don't offer a pension or 401(k).

Currently, an estimated 55 million Americans -- about half the workforce -- have no employer-sponsored retirement plan to supplement Social Security, said Sarah Myseiewicz Gill, AARP senior legislative representative. But if plans like Maryland's new auto-IRA, which mandates the automatic enrollment of any employee who works 30 hours or more for a company with at least 10 employees, were adopted nationwide, as many as 37.5 million Americans could be included, she said.

Many of those people could open IRAs on their own initiative, "but we know only 5 percent will do that, and those numbers haven't moved over the last three decades," she said.

Yet as these bills wind their way through statehouses, they're also getting major pushback from financial service firms because the auto-IRAs would typically be invested by state-administered agencies that might compete with private-sector retirement plan vendors and investment managers. Employers, which would be required to deduct the contributions from their employees' paychecks and forward them to the state, are also expressing concerns about that role.

The American Council of Life Insurers has been the biggest and most vocal opponent. But in California, the Securities Industry and Financial Markets Association is part of a group of 36 trade and business organizations led by the California Chamber of Commerce that's opposing a proposed auto-IRA. They want it amended to address a variety of concerns, including potential employer liability, said Marti Fisher, the Chamber's policy advocate.

California's proposed plan has been in the works since 2012 and may be finalized by August, when its legislative session ends.

In New York, an auto-IRA bill was working its way through the Assembly during the closing days of the current session. However, the Business Council of New York filed a comment in opposition, noting that none of its members had "asked for the creation of this type of program with another employer mandate." (The bill didn't pass.)

Connecticut and Maryland enacted auto-IRA laws in May. Illinois was the first in 2014, followed by Oregon in 2015, and both are scheduled to start enrollments in June 2017. This year, at least 14 other states have either commissioned studies or considered bills on what are also known as "work and save" or "secure choice" retirement plans, including Vermont, Iowa, Colorado, Georgia, Louisiana and Hawaii.

Even New York City is getting into the act. Mayor Bill de Blasio is calling for a local auto-IRA law for businesses with at least 10 employees and no retirement plan. (Under the New York State bill, the threshold would have been 25 employees.)

In January, Governor Chris Christie of New Jersey vetoed an auto-IRA with the suggestion that the legislature consider an alternative favored by the insurance industry and adopted by Washington in 2015. That would be a state-sponsored online "marketplace" where small employers can shop for plans, but enrollment will be voluntary and not mandatory. The investment offerings on the platform

will come from existing vendors without the state getting involved in setting up or selecting investments. The legislature quickly passed that alternative.

Connecticut ended up with a hybrid. It includes an auto-IRA, but "the governor requested we do a marketplace also," said Joe Aresimowicz, the majority leader in the Connecticut House of Representatives and the plan's leading proponent. Under the plan, which will become operational on Jan. 1, 2018, employers with five or more employees will auto-enroll their workers, and the money will go into Roth IRAs.

A newly formed Connecticut Retirement Security Authority will select a group of vendors, but employers will also be able to go to a Website and shop for other investment options.

The key premise of an auto-IRA is that if employees have to opt out rather than opt in, they're more likely to save for retirement. In 2006, the federal Pension Protection Act green-lighted auto-enrollment in 401(k)s.

"The results have been stunningly good," according to congressional testimony in 2012 by David C. John, the senior strategy adviser at the AARP Public Policy Institute and the deputy director of the Retirement Security Project at the Brookings Institution. "With automatic features, enrollment in 401(k)-type accounts has grown to average over 80 percent of eligible employees."

But Congress didn't seem inclined to carry that concept a step further when John and a colleague proposed a national auto-IRA. So by 2008, they had started talking to the states, starting with California and Washington, John said.

Major differences distinguish these state-sponsored auto-IRAs and the national "myRA" retirement accounts that President Obama authorized in 2014. The first is that while employers can offer a myRA, it's not mandatory. And myRA has only one investment option -- a specific type of Treasury bond. Also, once the account's balance reaches \$15,000, people are required to roll it over to a regular IRA at a financial firm.

MyRA is "certainly a tool in the toolbox, but it's not the be all and end all," said AARP's Gill.

"The state plans are pretty modest, but they're a recognition that we're facing a huge retirement income crisis in this country" said Karen Friedman, the executive vice president and policy director at the Pension Rights Center. "Since Congress is paralyzed and not likely to do anything big or new to address this problem, the states have jumped in," she said.

The estimates of retirement savings are alarming. A 2013 study by the National Institute on Retirement Security described them as being "dangerously low," with a projected national deficit in the range of \$6.8 trillion to \$14 trillion, "depending on the household assets counted."

It found that "four out of five working families" had less than a year's income saved toward retirement. AARP says about 21 percent of people age 65 or older depend on Social Security for 90 percent or more of their income, while another 24 percent get at least half of their income from Social Security.

Usually, auto-IRAs have a default contribution rate of 3 percent, which employees can lower or raise, and their money will be forwarded to a state agency for investment. For instance, in Illinois, the default investment will be a life-cycle fund, which will be invested according to a person's age, becoming more conservative over time as a person grows older and nears retirement. A seven-member board will add other options over time.

Since none of these plans are operational yet, no one knows how many people will opt out. Also, auto-IRAs, have no matching contribution from an employer, which is the main benefit of a 401(k). And since most are structured as Roth IRAs, which are funded with aftertax dollars, there's no tax deferral like a traditional IRA.

There's also no way of knowing how low-income or younger individuals -- key targets in this push -- will react to having their paychecks nicked today in favor of a retirement that may be decades away.

Some might opt out, conceded Senator Daniel Biss of Illinois, the main proponent of that state's plan. But of those who stay in, he believes "very, very few will be disappointed about their decision 10 years later" when they're "surprised to have the beginnings of a nest egg."

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<http://www.cbsnews.com/news/states-aim-to-fill-pension-gaps-with-auto-iras/>

AARP Praises Finalization of Rule on State-Based Private Sector Retirement Plans

New rule helps states expand coverage to 55 million Americans without workplace savings plans

[Press Center](#), August 25, 2016

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WASHINGTON, DC — AARP praised the finalization of a rule by the U.S. Department of Labor (DOL) that confirms states can facilitate the creation of automatic enrollment retirement savings plans for use by small businesses. These public-private partnerships have the potential to help more than 55 million workers who lack access to a way to save for retirement automatically out of their regular paycheck.

“We applaud the White House and Labor Secretary Perez for their support of state legislative efforts to improve access to workplace retirement savings plans for millions of Americans who currently have no way to save for retirement at work,” says Nancy LeaMond, Executive Vice President of AARP’s Community, State and National Group.

AARP is pleased that the new rule addresses the importance of features such as payroll deduction and automatic enrollment. Without these options, plans are far less effective at helping people save their own money for retirement.

“We know that workers who have access to automatic enrollment plans are 15 times more likely to save for their future,” said LeaMond. “As a result of the new rule, states will be able to make available to tens of millions of Americans workplace savings vehicles that will help them save more for their retirement years.”

More than half of the states are considering ways to address economic insecurity in retirement. Four states have already enacted legislation creating Work and Save plans that would be impacted by this rule: Illinois, Oregon, Connecticut, and Maryland. Legislation in California is also anticipated in 2016.

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About AARP

AARP is a nonprofit, nonpartisan organization, with a membership of nearly 38 million, that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse. We advocate for individuals in the marketplace by selecting products and services of high quality and value to carry the AARP name as well as help our members obtain discounts on a wide range of products, travel, and services. A trusted source for lifestyle tips, news and educational information, AARP produces AARP The Magazine, the world’s largest circulation magazine; AARP Bulletin; www.aarp.org; AARP TV & Radio; AARP Books; and AARP en Español, a Spanish-language website addressing the interests and needs of Hispanics. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates. The AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. AARP has staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Learn more at www.aarp.org

The White House
Office of the Press Secretary
For Immediate Release
August 25, 2016

<https://www.whitehouse.gov/the-press-office/2016/08/25/fact-sheet-middle-class-economics-making-it-easier-save-retirement>

FACT SHEET: Middle Class Economics: Making It Easier to Save for Retirement

“We’ve got to make it easier for people to save for retirement . . . So I’ve called on the Department of Labor and Tom Perez to propose a set of rules by the end of the year to provide a clear path forward for states to create retirement savings programs. And if every state did this, tens of millions more Americans could save for retirement at work.”

– President Barack Obama, Remarks at the White House Conference on Aging, July 13, 2015

After a lifetime of hard work, Americans should be able to enjoy a secure and dignified retirement. While Social Security is and must remain a rock-solid benefit that all Americans can rely on, too many Americans reach retirement age without enough savings to supplement their Social Security checks – in part because many Americans don’t have a way to save for retirement at work.

At last year’s White House Conference on Aging, the President directed the Department of Labor (DOL) to issue rules providing states looking to create their own retirement savings plans with a path forward consistent with federal law. The Department issued proposed rules in November, and today finalized those rules. This marks a major step towards ensuring that every American can save for retirement at work and better prepare for their golden years.

Eight states – California, Connecticut, Illinois, Maryland, New Jersey, Oregon, Massachusetts, and Washington – have already passed legislation creating their own retirement savings arrangements. These states have taken action, even while Congress has failed to move forward on the [President’s federal budget proposal](#) to automatically enroll workers who don’t have access to a workplace savings plan in an IRA. Today’s rule addresses concerns raised by some about preemption or coverage by the Employee Retirement Income Security Act (ERISA), provides a path forward consistent with federal law, and will enable even more states to create their own programs. The Department is also announcing a proposed rule that would allow some larger cities to establish their own retirement savings programs.

- **All Americans Should Be Able to Save for Retirement at Work:** We know how to get people to save for retirement: provide them with access to a workplace savings plan and automatically enroll them in that plan. But about one third of all workers do not have access to a retirement savings plan through their employer. To help their residents save, eight states have passed laws creating their own retirement savings programs. DOL’s final rule clarifies the status of existing efforts, and will enable more states to create their own.
- **DOL’s Final Rule Facilitates State Efforts to Create Retirement Savings Programs By Providing a Path Forward Consistent with Federal Pension Law:** Specifically, the rule provides that a state retirement savings program is not an ERISA plan and hence unlikely to be preempted by ERISA if the program is established and administered by the state, provides for a limited employer role, and is voluntary for employees.

- **Proposed Rules Would Enable Some Larger Cities to Create Retirement Savings Plans:** Under the proposed rule, a city can create its own retirement savings program provided it has the authority under state law, its population is equal to or greater than the population of the least populous state, and the state does not have its own retirement savings program.

All Americans Should Be Able to Save for Retirement at Work

While Social Security is and must remain a rock-solid benefit that all Americans can rely on, too many Americans reach retirement age without enough savings to supplement their Social Security checks. In fact, fewer than one third of individuals aged 65 to 74 have any savings in a retirement account, and those that do have a median savings balance of just \$49,000. For older Americans, inadequate retirement savings can mean sacrificing or skimping on food, housing, health care, transportation, and other necessities. Inadequate retirement savings places greater stress on state and federal social welfare programs as guaranteed sources of income and economic security for older Americans.

The good news is that we know how to get people to save for retirement: provide them with access to a workplace savings plan and automatically enroll them in that plan. But about one third of all workers do not have access to a workplace savings plan through their employers. Workers without access to a plan at work rarely save for retirement on their own: fewer than 10 percent of workers without access to a workplace plan contribute to a retirement savings account.

That's why in every budget since taking office, the President has proposed to automatically enroll workers in an IRA if they don't have access to a workplace plan. But in the absence of Congressional action, [eight states](#) have passed laws to create state-administered retirement savings programs for private-sector workers. Some of those state laws (sometimes referred to as "state auto-IRA" laws) require employers that do not offer workplace savings arrangements to automatically enroll their employees in payroll deduction IRAs administered by the states. Although other states are considering similar measures, uncertainty about potential preemption by ERISA has impeded broader adoption of such programs. Today's final rule addresses these concerns, clarifying the status of existing efforts and enabling more states to create their own programs.

Today's announcement builds on the Administration's ongoing efforts to make it easier to save for retirement, and protect families who have done the hard work of saving for retirement. In 2014, the Department of Treasury launched [myRA](#), a simple, safe, no-fee, and portable savings option aimed at individuals without access to a workplace savings plan. And this spring, the Department of Labor finalized [rules](#) requiring financial advisers to provide advice that is truly in their clients' best interest. These rules will help eliminate conflicts of interest that cost savers \$17 billion each year.

DOL's Final Rule Facilitates State Efforts to Create Retirement Savings Programs

The final rule outlines the circumstances in which state retirement savings programs would not be treated as creating ERISA-covered pension plans, giving states legal comfort by reducing the risk that the state laws would be invalidated based on ERISA preemption.

In order to qualify under the final rule, a state program must be:

- **Established and administered by the state.** The program must be established pursuant to state law, and implemented and administered by the state. The state must be responsible for investing the employee savings, for selecting investment

alternatives from which employees may choose, and for the security of payroll deductions and employee savings. The state may choose to contract with service providers to administer the program.

- **Provide for a limited employer role.** Employer activity must be limited to ministerial activities such as collecting payroll deductions, remitting them to the program, providing official state program notices to employees, maintaining records of payroll deductions and remittance of payments, providing information to the state necessary for the operation of the program, and distributing state program information to employees. Employers cannot contribute employer funds to the IRAs. Importantly, employer participation in the program must be required by state law, not voluntary.
- **Voluntary for employees.** Because the program must be voluntary for employees even if it requires automatic enrollment, employees must be given adequate advance notice and have the right to opt out. In addition, employees must be notified of their rights under the program and how to enforce their rights.

Proposed Rules Would Enable Some Larger Cities to Create Retirement Savings Plans

In response to public comments, the Department is also announcing a proposed regulation that would expand the final rule discussed above to cover qualified city and county programs. To be qualified, the city or county must have the authority to require employer participation in a payroll deduction savings program. In addition, the city or county must have a population at least equal to that of the least populous state, and may not be in a state that has a state-wide retirement savings program for private-sector employees. The proposal solicits comments on, among other things, whether the final rule should be expanded in this manner, what limitations should be imposed on the size or types of political subdivisions that would qualify, and whether the final rule's conditions should differ in any way if applied to political subdivisions

UNITED STATES DEPARTMENT OF LABOR

News Release

US Department of Labor announces final rule on state payroll deduction IRA accounts
Proposed rule also published to allow cities to create programs

WASHINGTON – One third of all workers do not have access to retirement savings plans through their employer. That's why in every budget since taking office, President Obama has proposed federal legislation to automatically enroll workers in an Individual Retirement Account if they don't have access to a workplace savings arrangement. In the absence of congressional action, several states have made strides in creating savings opportunities for residents. But uncertainty about federal law has discouraged other states and municipalities from moving forward with payroll deduction IRA programs.

Today, the U.S. Department of Labor's **Employee Benefits Security Administration** is making public a final rule that assists states that create IRA programs for workers who do not have access to workplace savings arrangements. At the same time, in response to public comments, the department is making public a proposed rule that could facilitate a limited number of cities and other local governments doing the same.

"For workers without access to savings arrangements through their employers, this rule means a new way to secure their financial futures," said **Secretary of Labor Thomas E. Perez**. "More access to retirement investments equals more saving and a bigger piece of the American dream for workers and families in the decades ahead."

"There is no silver bullet when it comes to solving the retirement savings issues facing workers and the nation, but increasing access to savings opportunities is a crucial step," said **Assistant Secretary of Labor for Employee Benefits Security Phyllis C. Borzi**. "Increased access, improved transparency, and reduced conflicts of interest in investment advice are all critically important tools. This agency and this administration have set a course for success in these areas, and we are confident that worker savings will grow as a result of our actions."

Eight states have already enacted legislation to create retirement savings programs for private-sector workers. Most of those laws require employers that do not offer workplace savings arrangements to automatically enroll their employees in payroll deduction IRAs administered by the states, while other state laws create a marketplace of retirement savings options geared at employers that do not offer workplace plans. Although other states are considering similar measures, uncertainty over the application of the **Employee Retirement Income Security Act's** preemption provisions has proven to be a roadblock to broader adoption of such programs.

The final rule announced today provides guidance for states in designing programs by providing a safe harbor from ERISA coverage to reduce the risk of ERISA preemption of the relevant state laws. Importantly, the rule also protects worker rights by ensuring they have the ability to opt out of auto-enrollment arrangements. The rule will go into effect 60 days after its publication in the Federal Register.

The proposal to expand the safe harbor to include a limited number of larger cities and counties in response to comments received from members of the public will be open for 30 days of public comment after its publication in the Federal Register.

Both the **final rule** and the **notice of proposed rulemaking** will be published in a forthcoming edition of the Federal Register and can also be viewed on the EBSA website, www.dol.gov/ebsa.

They are also available here:

- Final Rule: <https://www.dol.gov/sites/default/files/ebsa/temporary-postings/savings-arrangements-final-rule.pdf>
- NPRM: <https://www.dol.gov/sites/default/files/ebsa/temporary-postings/savings-arrangements-proposed-rule.pdf>

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(3) the name of the town wherein such business is to be carried on, or towns where the organization conducts business under the name; and

(4) a brief description of the kind of business transacted under such name, and the corporate or the limited liability company name and location of the principal office of such corporation or limited liability company the organization conducts under the name.

* * *

* * * Vermont State Treasurer; Public Retirement Plan * * *

Sec. F.1. INTERIM STUDY ON THE FEASIBILITY OF ESTABLISHING

A PUBLIC RETIREMENT PLAN

(a) Creation of Committee.

(1) There is created a Public Retirement Plan Study Committee to evaluate the feasibility of establishing a public retirement plan.

(2) It is the intent of the General Assembly that the Committee continue the work of the Public Retirement Plan Study Committee created in 2014 Acts and Resolves No. 179, Sec. C.108, as amended by 2015 Acts and Resolves No. 58, Sec. C.100, which ceased to exist on January 15, 2016.

(b) Membership.

(1) The Public Retirement Plan Study Committee shall be composed of eight members as follows:

(A) the State Treasurer or designee;

(B) the Commissioner of Labor or designee;

(C) the Commissioner of Disabilities, Aging, and Independent Living or designee;

(D) an individual with private sector experience in the area of providing retirement products and financial services to small businesses, to be appointed by the Speaker;

(E) an individual with experience or expertise in the area of the financial needs of an aging population, to be appointed by the Committee on Committees;

(F) an individual with experience or expertise in the area of the financial needs of Vermont youth or young working adults, to be appointed by the Treasurer;

(G) a representative of employers, to be appointed by the Speaker; and

(H) a representative of employees who currently lack access to employer-sponsored retirement plans, to be appointed by the Committee on Committees.

(2) Unless another appointee is specified pursuant to the authority granted under subdivision (1) of this subsection, the members of the Public Retirement Plan Study Committee created in 2014 Acts and Resolves No. 179, Sec. C.108, as amended by 2015 Acts and Resolves No. 58, Sec. C.100, which ceased to exist on January 15, 2016, shall serve as the members of the Committee created pursuant to this section.

(c) Powers and duties.

(1)(A) The Committee shall study the feasibility of establishing a public retirement plan, including the following:

(i) the access Vermont residents currently have to employer-sponsored retirement plans and the types of employer-sponsored retirement plans;

(ii) data and estimates on the amount of savings and resources Vermont residents will need for a financially secure retirement;

(iii) data and estimates on the actual amount of savings and resources Vermont residents will have for retirement, and whether those savings and resources will be sufficient for a financially secure retirement;

(iv) current incentives to encourage retirement savings, and the effectiveness of those incentives;

(v) whether other states have created a public retirement plan and the experience of those states;

(vi) whether there is a need for a public retirement plan in Vermont;

(vii) whether a public retirement plan would be feasible and effective in providing for a financially secure retirement for Vermont residents;

(viii) other programs or incentives the State could pursue in combination with a public retirement plan, or instead of such a plan, in order to encourage residents to save and prepare for retirement; and

(B) if the Committee determines that a public retirement plan is necessary, feasible, and effective, the Committee shall study:

(i) potential models for the structure, management, organization, administration, and funding of such a plan;

(ii) how to ensure that the plan is available to private sector employees who are not covered by an alternative retirement plan;

(iii) how to build enrollment to a level where enrollee costs can be lowered;

(iv) whether such a plan should impose any obligation or liability upon private sector employers; and

(v) any other issue the Committee deems relevant.

(2) The Committee shall:

(A) continue monitoring U.S. Department of Labor guidance concerning State Savings Programs for Non-Governmental Employees regarding ERISA rules and other pertinent areas of analysis;

(B) further analyze the relationship between the role of states and the federal government; and

(C) continue its collaboration with educational institutions, other states, and national stakeholders.

(3) The Committee shall have the assistance of the staff of the Office of the Treasurer, the Department of Labor, and the Department of Disabilities, Aging, and Independent Living.

(d) Report. On or before January 15, 2018, the Committee shall report to the General Assembly its findings and any recommendations for legislative action. In its report, the Committee shall state its findings as to every factor set forth in subdivision (c)(1)(A) of this section, whether it recommends that a public retirement plan be created, and the reasons for that recommendation. If the Committee recommends that a public retirement plan be created, the Committee's report shall include specific recommendations as to the factors listed in subdivision (c)(1)(B) of this section.

(e) Meetings; term of Committee; Chair. The Committee may meet as frequently as necessary to perform its work and shall cease to exist on January 15, 2018. The State Treasurer shall serve as Chair of the Committee and shall call the first meeting.

(f) Reimbursement. For attendance at meetings, members of the Committee who are not employees of the State of Vermont shall be reimbursed at the per diem rate set in 32 V.S.A. § 1010 and shall be reimbursed for mileage and travel expenses.

* * * Vermont State Treasurer; ABLE Savings Program * * *

Sec. F.2. 33 V.S.A. § 8001 is amended to read:

§ 8001. PROGRAM ESTABLISHED

* * *

(c) The Treasurer or designee shall have the authority to implement the Program in cooperation with one or more states or other partners in the manner