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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

Vermont Voluntary Retirement Savings Program

What: A voluntary retirement savings plan option for employers and employees, or self-employed Vermonters, sponsored by the State of Vermont at no cost to taxpayers.

Why: A very large percentage of Vermonters are not currently saving for retirement. Taxpayers will bear the ultimate responsibility for seniors with insufficient savings. People will save if simple retirement plans are available. By providing a simplified, inexpensive, high-quality, and safe retirement plan option for small employers, employees and self-employed Vermonters, we can increase critical savings for retirement.

How: The Vermont State Treasurer will piggyback on the State's existing defined contribution and/or deferred compensation plans to offer businesses the option of providing a 401(K) retirement plan for their employees. Administrative and investment expenses will be covered in the fee for plan participants.

Advantages for Employees: Payroll deductions, pre-tax savings contributions (not the case for most private IRAs), portability, low cost, simplicity, pre-screened investment options, safety, credibility.

Advantages for Employers: Optional participation and employer match. Easy administration and low cost. Safety.

Key Facts

- The Commerce Department reported in January 2006 that the U.S. savings rate is now the lowest since the Great Depression. Americans' personal savings fell into negative territory at -0.5% in 2005, the first time since 1933.
- One-quarter of current retirees rely totally on Social Security for their income, and have no outside resources. Two-thirds rely primarily on Social Security for the income.
- At present, approximately half of the workforce in the United States is not covered by an employer-sponsored retirement plan.
- 70% of firms with fewer than 25 employees offer no retirement [(401(K)] plan.
- More than ¾ of Vermont's business establishments have nine or fewer employees, but these 17,000 establishments employ 21% of the state's workers.
- 8 in 10 eligible employees participate in a workplace savings plan.
- Workers who are unable to build up adequate retirement savings are likely to become dependent on state government assistance.