

State Solutions: Universal Retirement Savings

The Mobility Agenda

Chicago Roundtable

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www.eoionline.org

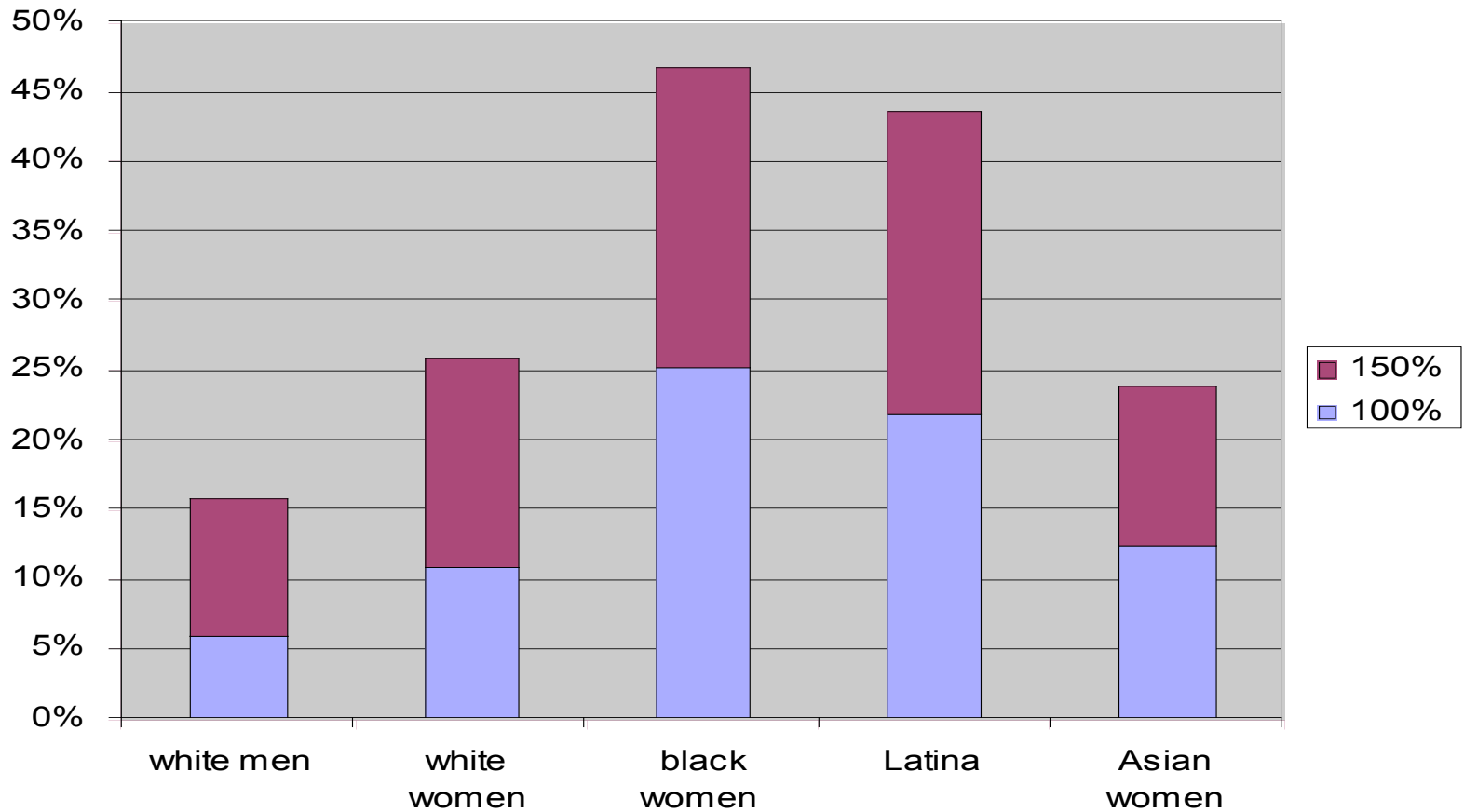
Why Improve Retirement Security?

- Social Security is not enough
- Half of all workers aren't in a retirement plan
- Retirement wealth is falling
- We're living longer
- Workers change jobs more often
- States will bear the costs of seniors in poverty

Social Security Provides a Solid Base

- progressive benefits
- guaranteed benefits
- family benefits
- annual cost-of-living adjustments
- lifetime retirement benefits
- low administrative costs

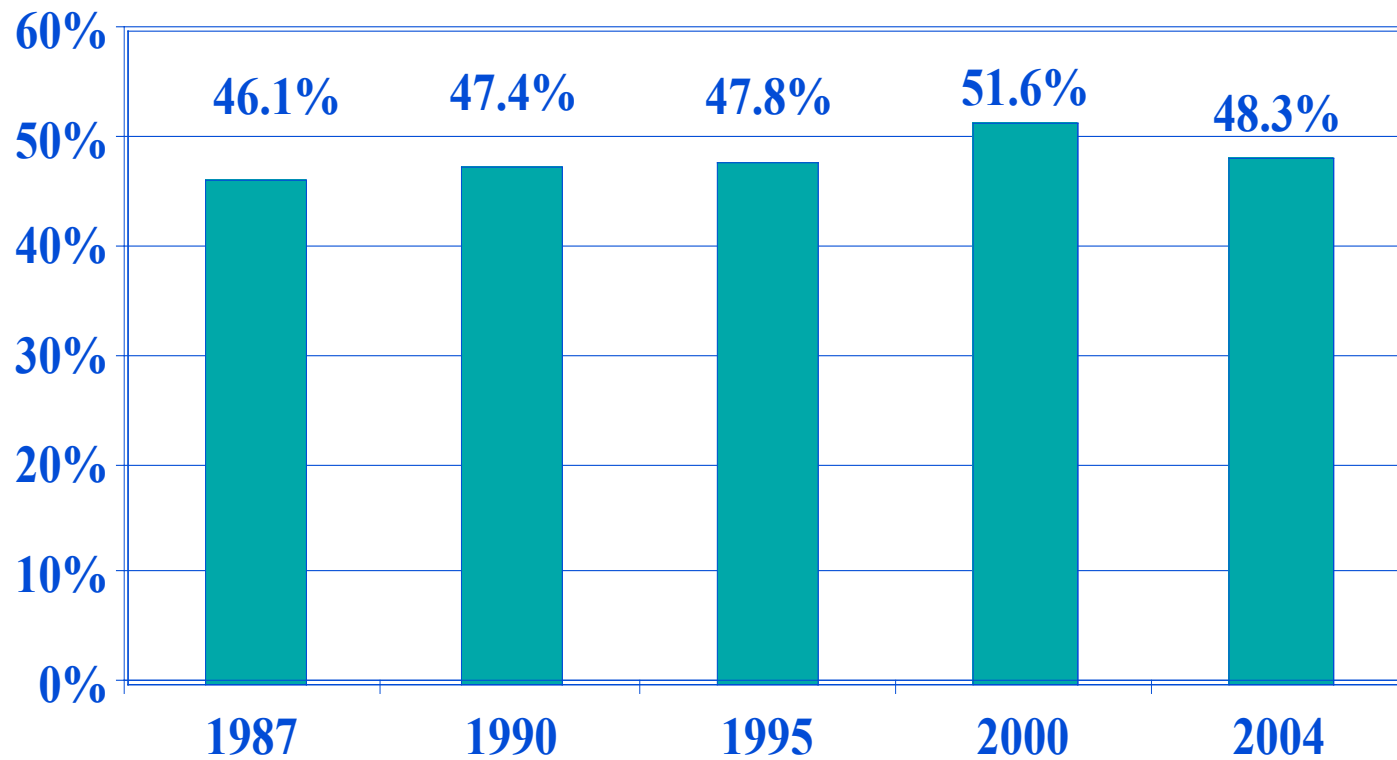
Too many seniors in or near poverty



Who Lacks Workplace Retirement Plan ?

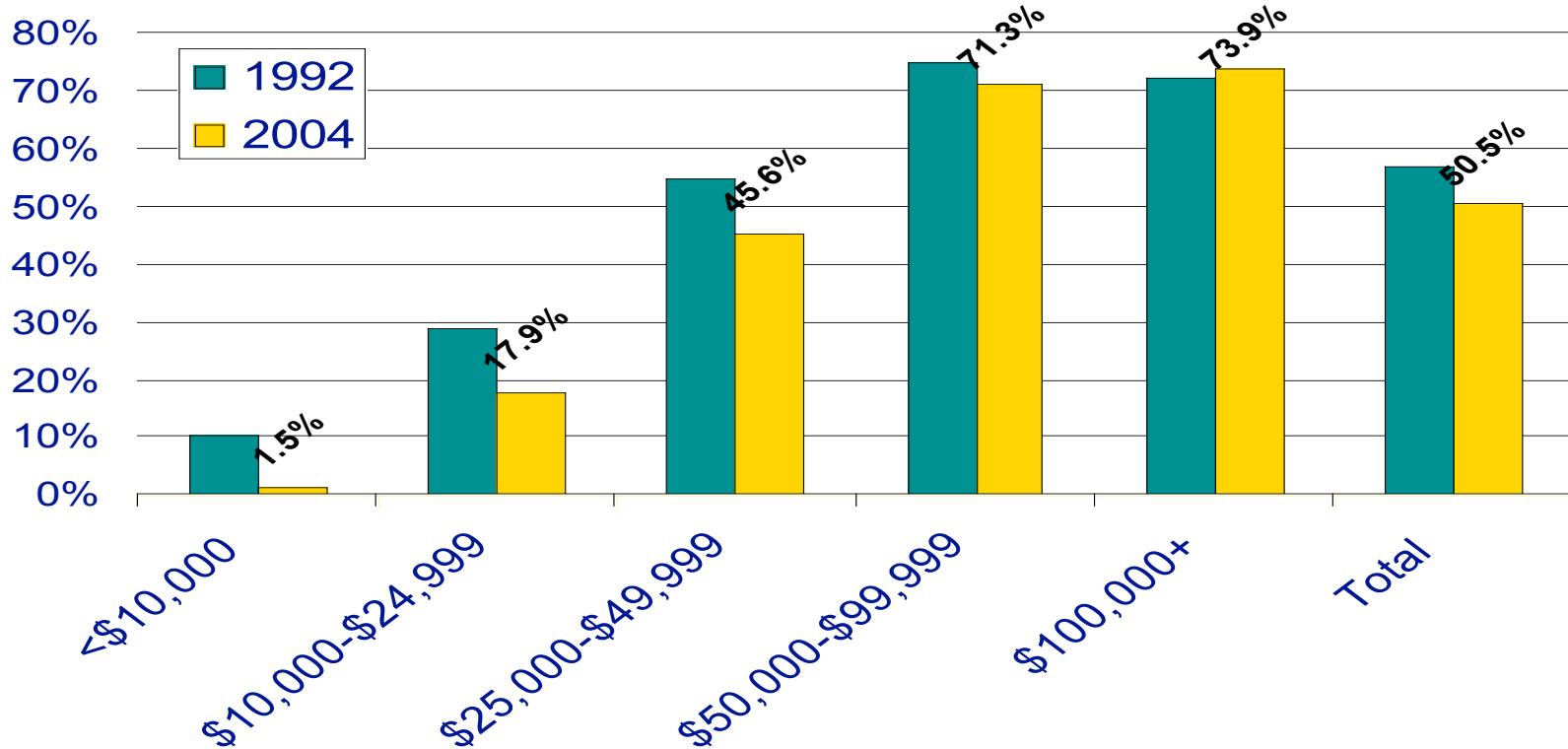
- Half of all workers
- Low income workers
- Part-time and temporary workers
- Small business employees

Half of Workers Have No Plan

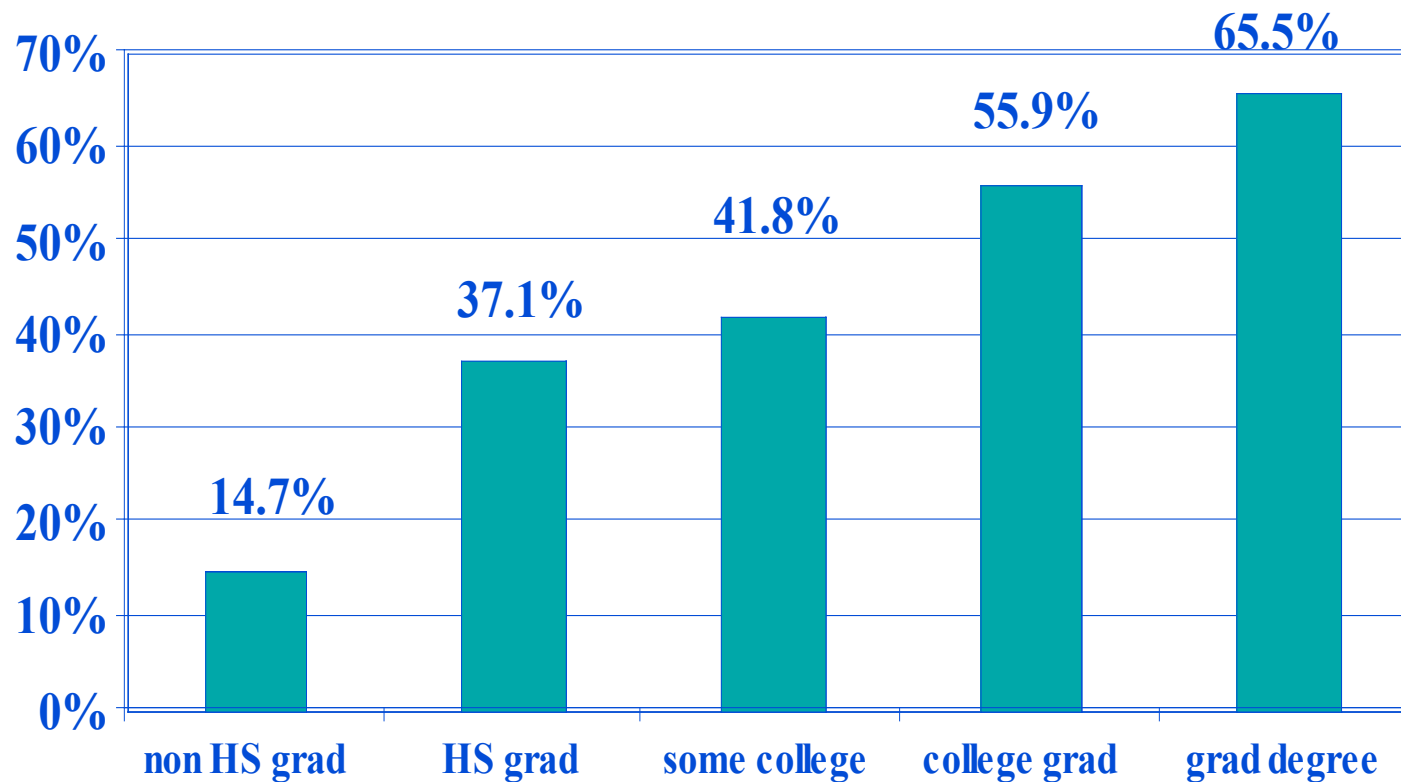


Low Income Families are Least Likely to Have Plan

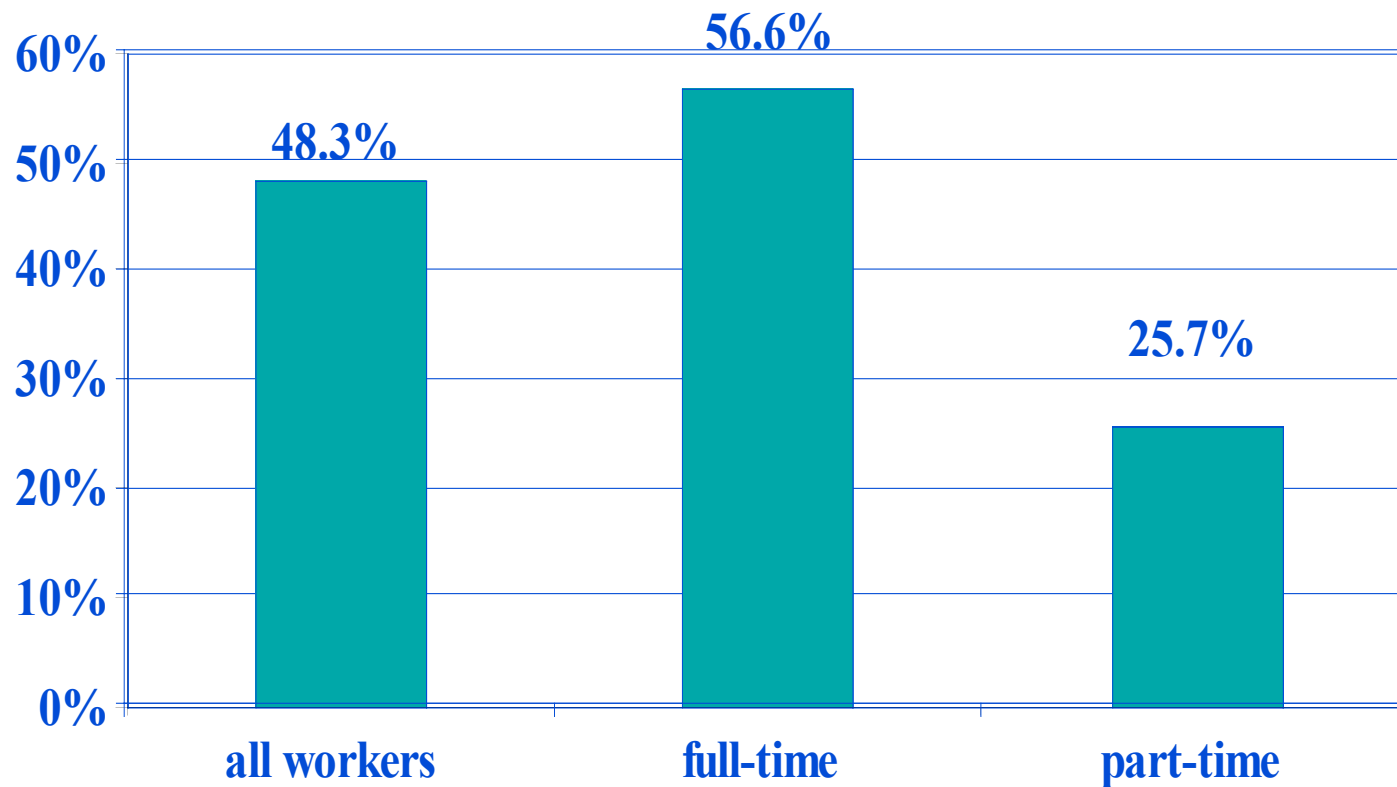
(income of families with employed member)



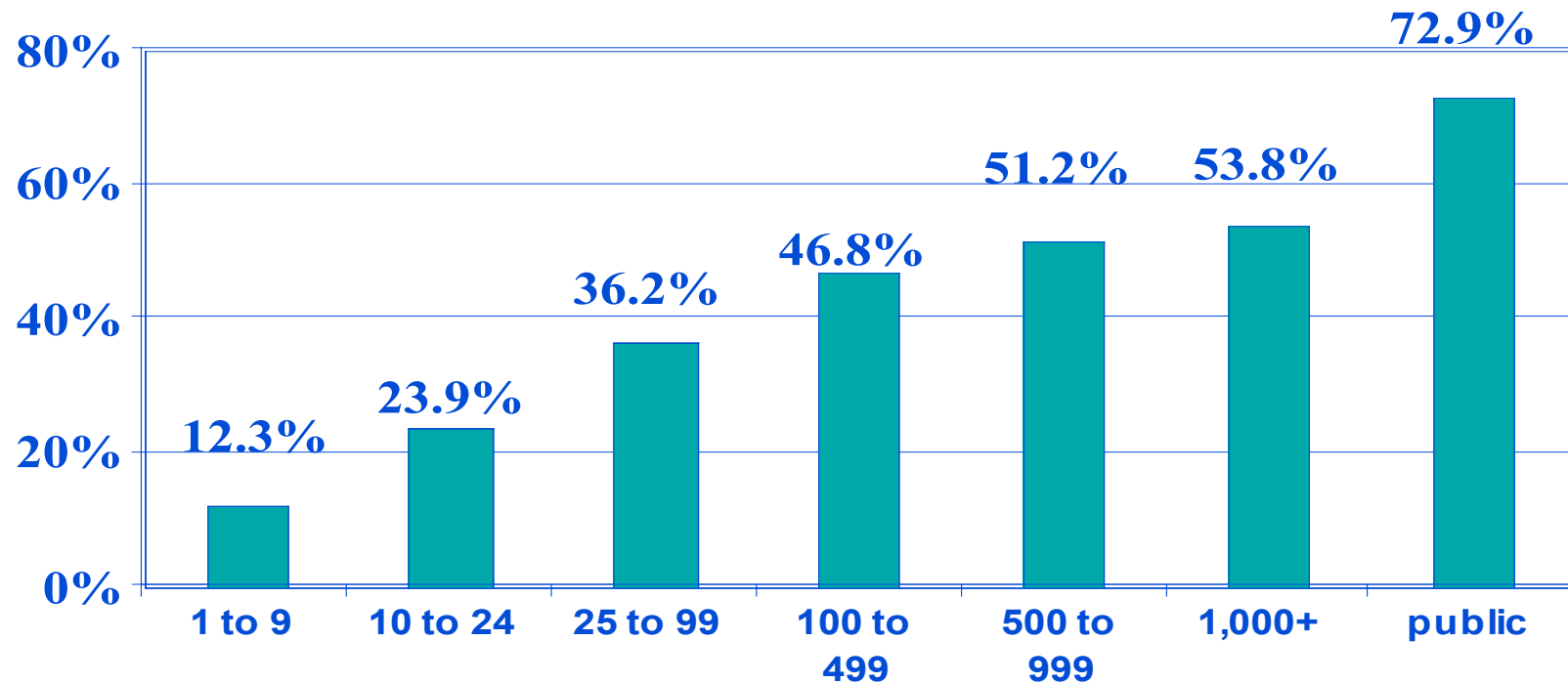
Access and Participation Vary by Education



Few Part-Time Workers Covered



Workers in Small Firms Least Likely to Have Access



Why Small Businesses Don't Offer Plans

- administrative complexity
- cost
- difficulty comparing options
- lack of interest by employees

State Solution: Voluntary Savings Accounts

- Defined contribution plan
- Tier – IRAs for individual workers
- Tier 2 – 401(k) or Simple IRA
- Pre-selected menu of investment options
- Administered by state

Advantages of Retirement Accounts for workers

- Payroll deductions
- Portability between jobs
- Low costs – economies of scale
- Simplicity – pre-vetted options

Advantages to Companies

- Easy administration
- Low cost
- Allows small firms to provide retirement plans

What Small Business Owners Say: 2001 Focus Group Findings

- 17 out of 18 supported Voluntary Accounts
- Payroll deduction would not be undue burden
- Believe that providing a retirement plan very important

Interview Findings

- 15 out of 17 businesses with 1-10 employees (88%) supported WVAs.
- 6 businesses with 11 - 50 employees – all supported WVAs.
- 1 business with over 50 employees - supported WVAs.

Recommendations by Small Businesses

- Provide diverse investment options
- Provide some sort of support for employers and employees, such as hotline or website
- Provide program promotion in the workplace
- Provide portability

Additional Findings

- Only 5 businesses had retirement plans for employees (4 had 20 or more employees)
- Major reasons for not providing retirement plan: time, difficulties finding right plan, expense
- All believed that saving for retirement was important
- Many believed that Social Security is not enough
- Larger businesses with retirement plan also saw WVAs as advantageous.

Necessary allies

- Public employee unions
- Small businesses
- State Executive Departments
- Investment firms
- Pension experts
- Senior groups
- Other states

How will Voluntary Retirement Savings Accounts affect the private investment industry?

VAs will ***help*** the private investment industry

- States will contract with private companies
- Pool of investors will increase
- Over time, people will roll over VA accounts into accounts with private firms

States Moving Forward

- Vermont: State Treasurer 2007
- Washington: DRS, State Legislators 2007
- Illinois
- New Hampshire: State Legislators 2008
- Michigan
- Wisconsin
- Maryland: Legislation introduced
- Pennsylvania: State Legislators
- Indiana: Deputy State Treasurer
- Colorado
- California
- Massachusetts
- Maine

Interested Organizations

- AARP
- Small businesses
- Washington Restaurant Association
- Pension Rights Center
- WISER
- Brookings Institution
- Center for Economic Policy and Research
- Economic Policy Institute

Federal Possibilities

- Line Item for state start-up costs
- Work with Murray, Cantwell, Inslee
- Work with Dodd and Obama
- Federal legislation for national program

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