Private Sector Retirement Initiatives in the States: Secure Choice and Marketplace Programs

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I. Overview of "Secure Choice" Programs

II. Overview of Marketplace Programs

III. How Do They Compare?

Secure Choice States To Date:

- Illinois (established 2015)
- Oregon (established 2015)
- Maryland (established 2016)
- Connecticut (established 2016)
- California (established 2012, 2016)

What Secure Choice Means for Employees:

- Payroll Deduction
- Automatic Enrollment, with Opt Out
- Default Savings Rate (Most States at 3%)
- Simple Investment Choices
- No Employer Match
- IRA Contribution Limits
- Fees are Capped
- Portable Within State

What Secure Choice Means for Employers:

- All Firms Over Threshold Must Enroll Employees (Exemption for Current Plans)
- Must Set Up Payroll Deduction
- Low Administrative Costs/Duties
- No Fiduciary Responsibility
- Penalties for Non-Enrollment in Most States

What Secure Choice Means for States:

- State Establishes Independent Board to Oversee Program
- Conduct Feasibility Studies to Inform Program Design & Feasibility
- Select Provider(s)
- Monitor Compliance

Secure Choice Models Vary

Illinois	Oregon	Maryland	Connecticut	California
• covers employers with ≥ **25 workers** • employer **penalties for non-compliance** • expenses capped at **0.75%** assets • **3% default contribution** • **7-member** Board	• covers **all** employers but will phase in smaller employers • **no employer penalties** • **5% default contribution** • **7-member** Board	• covers **all** employers who have electronic payroll systems • employers who participate are **exempted from $300 annual filing fee** • default contribution determined by Board • expenses capped at **0.5%** of assets • **11-member** Board	• covers employers with ≥ **5 workers** • employer **penalties for non-compliance** • after 4 years, expenses capped at **0.75%** assets • **3% default contribution** • **15-member** Board	• covers employers with ≥ **5 workers with** phase in • employer **penalties for non-compliance** • expenses capped at **1.00%** assets • **default contribution between 2-5%** • initial investment in myRA or similar investments • **9-member** Board

Marketplace States To Date:

- Washington (established 2015)
- New Jersey (established 2016)

What Marketplace Means for Employees:

- Voluntary (No Auto Enrollment)
- Simple Investment Choices
- Employer Match for Certain Plans
- Higher Contribution Limits in Some Plans
- Fees are Capped
- Funds are Portable (Within State)

What Marketplace Means for Employers:

- Voluntary Participation
- Connects Employers to Low Cost Plans
    - IRAs and Some ERISA Plans
- Fiduciary Responsibility
- Higher Admin Burden
- No Penalties for Non-Enrollment

What Marketplace Means for States:

- Establish Terms for Market Participation
- Select Provider to Operate Market
- Approve Qualified Plans
- No Fiduciary Responsibility
- Monitor Compliance

Key Advantages of Secure Choice Plans:

- Auto Enrollment and Mandate Mean Millions of Potential New Savers
- Simple for Employers, Limited Risks
- Simple for Employees, Low-Cost, Default Choices

Programs Could Reach Millions

Illinois	→	an estimated **1.2 million** will gain coverage
Oregon	→	an estimated **840,000** will gain coverage
Maryland	→	up to 1 million could gain coverage
Connecticut	→	up to 600,000 could gain coverage
California	→	an estimated **6.8 million** will gain coverage

Key Disadvantages of Secure Choice Plans:

- Low Savings Levels – Low Defaults & Contributions Limits
- Employer Mandate (Feasibility)
- No ERISA Protections
- State Assumes Significant Responsibilities

Key Advantages of Marketplace Plans:

- Limited Role for States
- Voluntary for Employers
- Possible Employer Match and Higher Contributions

Key Disadvantages of Marketplace Plans:

- May Not Expand Coverage in Significant Way
- No Auto Enrollment
- Employer Retains Admin & Fiduciary Responsibility
- Incentives for Providers to Participate are Lower

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