

State Auto-IRA (Work and Save) Programs: What are they? What do we know?

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Delaware EARNs Board Meeting
October 4, 2022

The Pew Retirement Savings Team

- The Retirement Savings Project started in 2014
- Foundational research, shifting to policy work over time
- Tools
 - Demographic research
 - Financial feasibility modeling
 - Best practices in legislation and regs
 - Fiscal impact
- Key personnel
 - Kim Olson, Senior Officer, Policy
 - Andrew Blevins, Officer, Policy

What Are Auto-IRA Programs?

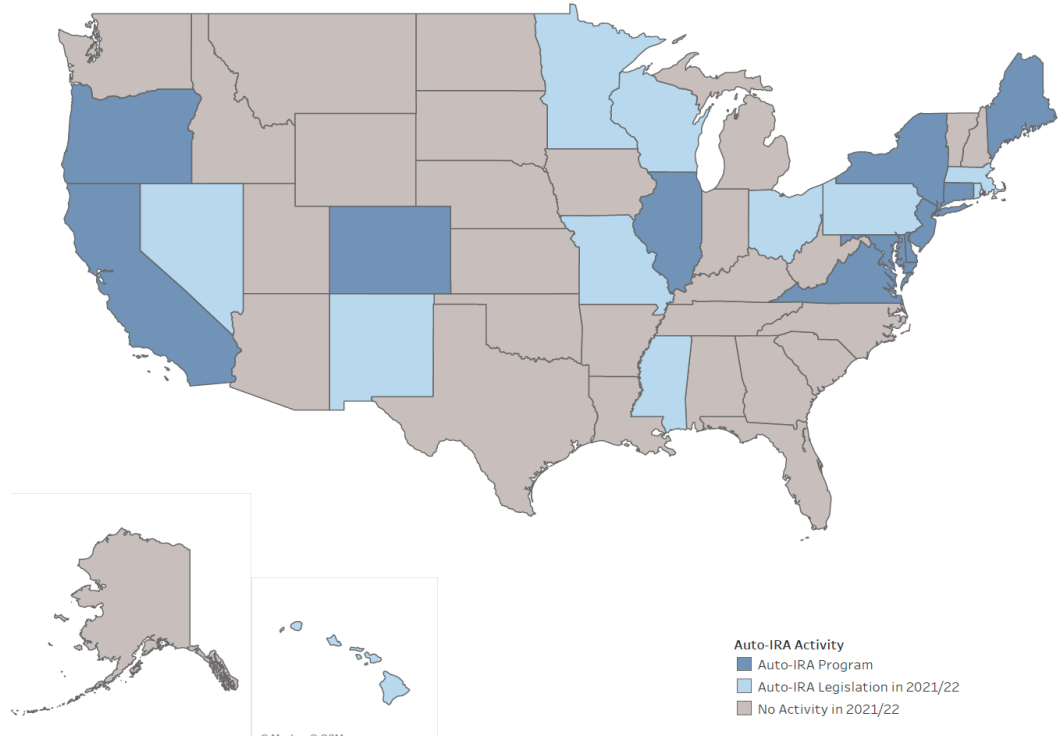
- Only for private sector employees
 - Employer does not have own retirement plan
 - Employers with plans exempted
 - Other exemptions: employers of a certain size, types of employees

Origins of Auto-IRA Programs

- 2006: Pension Protection Act
- 2006: Retirement Security Project at Brookings
- 2012: California legislation
- 2017: Oregon starts accepting contributions

Where are Auto-IRAs today?

- Operational: CA, CT, IL, MD, OR
- Implementing: CO, DE, ME, NJ, NY, VA
- Considering legislation: HI, MA, NC, PA, among others



The employer's role

- Must register and provide data
- Facilitate payroll contributions
- No employer contribution, no discretion
- No fees to employers
- Communications are from program, not employer

Employees in Auto-IRA Programs

- Workers automatically enrolled
 - Can opt-out
 - Default contribution rate
 - Default investment fund
 - Auto-escalation of contributions up to a maximum rate
- Worker owns the IRA, portable across jobs

Auto-IRA Investments

- Savings vehicle is an IRA
 - Typically Roth IRA but can be traditional IRA
- Investments
 - Usually 5-6 mutual funds: stock, fixed income, hybrid or target date, money market or principal protection fund
 - Default fund is target date fund
 - Initial contributions to go principal protection fund

Governance

- Public-Private Partnership
 - External financial firms handle:
 - Recordkeeping
 - Communications
 - Investment management
 - Program and investment consultants, legal and auditing
 - State's role: fiduciary oversight, guidance, and direction

Data on Auto-IRAs (from CA, IL, OR)

- Registered employers: 131,312
- Savers: 557,835
- Assets: \$518 million
- Average contribution rate: 5.3%
- Average account balance: \$928
- Opt-out rate: 34%

Source: Massena & Associates

Research: Auto-IRAs work for employers

- 2017 survey of small business: 87% supported auto-IRA
- Demand: 1 in 4 Oregon firms signed up at least 90 days early
- 2019-20 survey of employers in Oregon Saves
 - Employers are satisfied with auto-IRA program experience
 - Smaller employers more satisfied
 - Starting payroll deductions boosts satisfaction
- 80% report no or few questions or concerns
- 79% say no out-of-pocket costs for participating in auto-IRAs

Research: Auto-IRAs work for workers

- People are saving!
- Analysis of early pandemic withdrawals
- 2020-21 Pew survey of participants in Illinois:
- Participating workers' experience:
 - 62% satisfied, 34% neutral, 5% dissatisfied
- Participation boosts feeling financially secure:
 - 38% feel more secure, 49% say no impact, 13% feel less secure

Note: Results unpublished; survey results available upon request

Conclusion

- Thank you
- Questions?