

# *Retirement Policy*

Small Businesses Need More Info on State-Run Retirement Plans

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- Many small employers are unaware of how state-run retirement programs operate
- Small business group says states must ramp up communications about their programs
- Oregon has begun implementing auto-IRA program while Washington State nears online marketplace launch

By [David B. Brandolph](#)

Many small and midsize employers are unaware of how state-run retirement plans for private sector workers operate, revealing a possible communications gap for states to fill.

State secure choice retirement programs that have recently begun as a pilot in Oregon and that are being implemented in California, Connecticut, Maryland, and Illinois mandate that employers above a certain size participate in the state's individual retirement account program with automatic enrollment. Although administered by the states, these auto-IRA programs typically contract with private firms to manage the investments, run call centers, and process paperwork.

The way these programs operate has caused some confusion for small businesses, according to a [study](#) from the Pew Charitable Trusts released July 27. The 1,600 small and midsize employers surveyed said they overwhelmingly support auto-IRAs, but they reported they prefer that such programs be administered by private firms, such as mutual funds or insurers, rather than state governments. Pew surveyed businesses that employed between five and 250 employees.

The survey indicates that employers may have a general mistrust of government's ability to run programs, similar to their concerns about how states operate the Affordable Care Act, John Scott, director of Pew's Retirement Savings Project in Washington, told Bloomberg BNA. But "these employers may be showing their limited familiarity with the public-private-sector partnership typically used in such programs," Scott said.

"These programs are all in the early stages, but as they get closer to launching, they will need to do a lot more to help small businesses know about the program," David Chase, vice president for national outreach with the Small Business Majority in Sacramento, Calif., told Bloomberg BNA. Administrators of these programs "should do a full-court outreach, education, and marketing campaign all geared specifically for small-business owners," he said.

## **Employers Oppose Mandatory Programs**

Employers often say they oppose programs that mandate their participation. State-run secure choice programs are mandatory but are designed to minimize administrative burdens, costs, and liability to participating employers. Employers told the Pew survey that they overwhelmingly support auto-IRA programs that require little employer action and that don't add much in costs or impose any additional employer liability. This response raises questions as to whether employers fully understand how these programs operate and whether employers would support the programs if their details were understood, despite their mandatory nature.

Even if employers are against mandatory programs, a number of the state retirement programs include an exemption for small businesses under a certain size, such as Illinois, which exempts from its program employers with fewer than 25 employees. In Illinois, “more than 90 percent of all businesses would qualify for this exemption,” Chase said.

## **Marketplace and MEPs Coming**

Some employers that remain concerned about retirement plans operated by states or that want a voluntary program will eventually have other options. Washington state is preparing to soon launch an online marketplace in which businesses with 100 or fewer employees can select retirement plan providers for their workers.

The Washington Small Business Retirement Marketplace will “definitely” be launched by the end of the year and it’s “hoped” that the marketplace will be operating by September, Amber Seifer, research project manager with the Washington Department of Commerce in Olympia, told Bloomberg BNA. The marketplace will be available to individuals as well as employers. Private financial firms that join the marketplace must agree not to assess administrative fees on employers and to keep investment management fees at or below 100 basis points (one percent), she said. New Jersey has also enacted a similar marketplace but has yet to set a launch date.

Another option coming for employers in some states, such as Vermont, is the multiple employer plan, which allows employers to join together to offer a single plan with the goal of achieving economies of scale and lower costs. Scott said that MEPs are more robust and can permit greater retirement contributions than auto-IRAs. The downside is that, like the online marketplace, MEPs are voluntary and require employers to follow through, he said.

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