

January 25, 2021

Senator Janet D. Howell  
Chairwoman  
Senate Finance and Appropriations Committee  
900 E. Main Street  
Richmond, VA 23219

*RE: Pass HB 2174, Virginia Saves Program; established*

Dear Chairwoman Howell and Members of the Committee:

I am writing to urge you to pass HB 2174, which would establish an automatic enrollment payroll deduction individual retirement account (IRA) retirement savings program. This would be an important step to support small business owners and their employees who are unable to access traditional retirement benefits.

Many small business owners suffer from a retirement savings gap, which has only intensified because of the COVID-19 pandemic, particularly for businesses owned by people of color and women who experience lower rates of access to retirement programs than their white, male counterparts. Our scientific opinion polling found just 19% of small employers are able to offer a retirement plan, despite many wanting to do so, and we expect that these numbers could shrink further as a result of the pandemic. The need to promote financial stability for business owners and their employees alike has never been more important. What's more, the fiscal impact of under-saving is estimated to cost Virginia taxpayers a whopping \$11.8 billion over the next 15 years.<sup>1</sup>

Small businesses want to offer retirement benefits to attract and retain talented employees, but they struggle to do so due to the cost and complexity of setting up a retirement plan. Most small business owners simply don't have the HR or administrative staffing capacity to oversee a benefits program and lack the time and resources to navigate this on their own. It should come as no surprise then that nearly two-thirds of small business owners in Virginia said they support state efforts to enact a retirement program that would automatically enroll employees of businesses without their own plan into a state-administered retirement program.<sup>2</sup>

It's important to note that other states have implemented similar programs with great success. States like Oregon and Illinois have had programs in place since 2017 and 2018 respectively. In California, despite delays due to the pandemic, the CalSavers Retirement Savings Program managed an impressive launch last year with more than 244,000 participants who have amassed \$28.4 million in savings (as of December 2020). The fact that enrollees and savings continue to grow, even in the midst

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<sup>1</sup> Report on State-Facilitated Private Retirement Plan Programs: Encouraging Citizens to Save for Retirement, December 2020, <https://rga.lis.virginia.gov/Published/2020/HD12/PDF>

<sup>2</sup> Opinion Poll: Virginia small business owners say government doesn't understand their concerns, need help with healthcare and other challenges, <https://smallbusinessmajority.org/sites/default/files/research-reports/081419-VA-Small-Business-Policy-Solutions-Poll.pdf>

of an economic crisis, is a testament to the importance of the program and how a similar program can be replicated in Virginia.

Additionally, Colorado has just recently passed a similar measure with strong support from the small business community. An opinion poll found almost 3 in 5 small business owners in Colorado (58%) supported a privately managed state retirement savings program that would help small businesses offer employees a way to save for the future, and 7 in 10 (69%) small businesses felt offering such a program would make them more competitive in attracting and retaining talented employees.

Approximately 1.2 million employees in Virginia, or 45% of the state's workforce, do not have access to a savings plan.<sup>3</sup> Meanwhile, small business owners want to offer their employees flexible retirement options because they know makes for a happier and more productive workforce but are struggling to do so. HB 2174 can address this by allowing Virginia's entrepreneurs to plan for their futures and those of their employees. And since employers are forbidden from contributing to the state-facilitated auto-IRA structure, a small business owner's bottom line is protected.

As the COVID-19 economic crisis continues to harm Virginia, small business owners and their employees are struggling to access retirement benefits to secure long-term financial security. The Virginia legislature can help. I urge you to pass HB 2174 during the 2021 Regular Session.

Sincerely,

Awesta Sarkash  
Government Affairs Manager  
Small Business Majority

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<sup>3</sup> Report on State-Facilitated Private Retirement Plan Programs: Encouraging Citizens to Save for Retirement, December 2020, <https://rga.lis.virginia.gov/Published/2020/HD12/PDF>