



The Washington Small Business Retirement Marketplace

The Looming Retirement Crisis

Today, a secure retirement is out of reach for thousands of Washingtonians, especially those who work for small businesses.

- A recent state survey revealed that approximately 462,000 Washingtonians between ages 45-64 have less than \$25,000 in savings.¹
- The average monthly Social Security benefit in Washington is \$1,300 per month. While Social Security is a critical piece of the puzzle, it is not enough to ensure people can live independently as they get older.²
- 75.5% of workers employed by businesses with fewer than 100 employees do not have a pension or retirement plan.³
- More than 38 million working-age households, or 45 percent, do not own any retirement account assets, whether in a pension plan, an employer-sponsored 401(k) or an IRA.⁴

A Commonsense Approach

Research shows people are more likely to save for retirement through their workplace when that option is available. The Washington Small Business Retirement Marketplace (Marketplace) legislation (HB 2109, SB 5826) would provide a convenient and simple choice to encourage private saving via the workplace, so more people can have the freedom to live independently throughout their lives.

The Marketplace is a voluntary option that makes it easier for smaller employers to establish a basic retirement savings plan. The plans are specifically designed to fit the needs of smaller employers. A participating employer will have the option of selecting a plan that allows for employer contributions or a plan just for employees to contribute their own funds.

The Marketplace is designed for businesses with up to 100 employees, and provides a small set of basic retirement savings options. Employees have the option to decline participation. Accounts can be rolled over into another IRA or investment option.

How It Will Work

The State will identify financial services firms willing to offer specific retirement plans and investments. The state will publish performance data on investments. The state will enforce agreements, including no cost for a business to participate and employee fees no greater than 1% of their account balance. The state will establish a Marketplace website for employers to learn about the firms and their products.

Financial services firms will offer retirement plans to employers. They will have several basic investment options from which to select. These firms will manage the individual employee's accounts and work with the businesses to complete reporting requirements.

Employers who choose to participate will decide whether to offer a plan to which they will contribute or a plan that only allows employee contributions. Contribution options for employers include either a flat 2% of salary for each employee or a match of employees' contributions up to 3% of each person's salary. The plans on the Marketplace will be specifically selected to have very minimal paperwork for employers.

Participating employees will choose how much to contribute, and select their investment(s).

Features and Benefits

- **Voluntary:** Employers will have the choice to offer Marketplace plans as an option for their employees, and employees have the option to decline participation.
- **Portable:** People changing jobs can continue to save if their new employer is a Marketplace participant. They can also rollover their accounts into another retirement account.
- **Private and non-profit sector only:** The Marketplace isn't for government workers. Funds can't be comingled with public pension dollars, and cannot add to the state's public pension liability.
- **Promotes self-reliance:** Ensuring workers have a simple way to save for retirement means fewer Washingtonians who need public safety net services, saving taxpayer dollars.
- **No risk for the state:** The State is not responsible for participant gains or losses in the market.

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¹ Brittne Nelson, Not Making the Grade: 2013 Survey Of Financial Decisions Among Washington State Adults Ages 45-64, AARP Research & Strategic Analysis, April 2013. Online: <http://www.aarp.org/work/retirement-planning/info-04-2013/not-making-the-grade--2013-survey-of-financial-decisions-among-w.html>

² Gary Koenig & Lina Walker, Why Social Security and Medicare Are Vital to Older Americans in Washington, AARP Public Policy Institute Fact Sheet, August 2013. Online: http://www.aarp.org/content/dam/aarp/research/public_policy_institute/econ_sec/2012/WA-SSandMedicarefact-sheet-AARP-ppi-econ-sec.pdf

³ Craig Copeland, "Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013," EBRI Issue Brief, no. 405, October 2014.

⁴ National Institute on Retirement Security, "The Retirement Savings Crisis: Is It Worse Than We Think?" June 2013. Online: http://www.nirsonline.org/storage/nirs/documents/Retirement%20Savings%20Crisis/retirementsavingscrisis_final.pdf