

May 4, 2023

Re: ARA Supports Senate File 413 – the Minnesota Secure Choice Retirement Program

Dear Senator,

The American Retirement Association (ARA) writes in support of SF 413, legislation that creates the Minnesota Secure Choice Retirement Program to help close the current retirement plan coverage gap in the private-sector workforce in Minnesota.

The ARA is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of America's private retirement system – the American Society of Enrolled Actuaries (ASEA), the American Society of Pension Professionals and Actuaries (ASPPA), the National Association of Plan Advisors (NAPA), the National Tax-Deferred Savings Association (NTSA), and the Plan Sponsor Council of America (PSCA). Combined the ARA represents over 35,000 retirement plan professionals nationwide, including 882 members in the State of Minnesota. The ARA's members and the organizations they are affiliated with support 95 percent of all the defined contribution plans, such as 401(k) plans, in the United States. The ARA and its underlying affiliate organizations are diverse in the roles they play but are united in their dedication to the success of America's retirement system.

The ARA's mission is to help American workers bolster their retirement security by facilitating well-designed workplace retirement savings plans. We do that by both educating retirement benefits professionals, and by advocating for sound policies to give every working American the opportunity to achieve a comfortable retirement.

Workplace retirement saving plans are successful for those that have access to them. These plans provide long term economic growth and build financial security for the middle class. The critical factor that determines whether moderate-income workers save for their retirement is whether they have access to a retirement savings plan at work. Data shows that more than 70 percent of workers earning \$30,000 to \$50,000 will save in a plan when given the opportunity at work, but fewer than 7 percent save on their own through an IRA.¹ In other words, moderate-income workers are 12 times more likely to save for retirement if they have access to a retirement savings plan at work.

The ARA recognizes that, despite our best efforts, there are far too many Americans without access to a retirement plan at work. This retirement plan coverage gap, and the corresponding lack of retirement savings, particularly impacts communities of color. Expanding retirement plan coverage with automatic enrollment is the key to addressing racial inequities in retirement savings. Data shows that when moderate income workers are automatically enrolled in a workplace retirement plan there is no racial disparity in retirement savings participation.

In recent years, state governments have taken steps to close the retirement plan coverage gap in their jurisdictions with the enactment of laws such as SF 413. A key policy feature of most of these automatic IRA programs is a requirement that businesses over a certain size provide access to some type of retirement plan to their employees. If employers do not already offer a workplace retirement plan, or do

¹IRS tabulations and Vanguard, *How America Saves*, 2018

not want to adopt one available to them in the private marketplace, they can enroll their employees in the state program. To date, 12 states have enacted such programs.

The policy problem is not that there is a lack of retirement products available to small businesses. There are plenty of retirement plans available at a reasonable cost and generous federal retirement plan startup tax credits for small businesses. The problem is that many small business owners are too busy running their own businesses to focus on offering a retirement plan to their employees, so a nudge is needed to get them to act. However, we believe that any requirements placed on employers should be designed to minimize the burden on the employer while achieving the desired policy outcome of increasing the availability of workplace savings arrangements.

The ARA believes that SF 413 strikes the proper balance to close the retirement plan coverage gap in the private sector workforce to the greatest extent possible while imposing the minimum possible burden on Minnesota's employers. SF 413 requires all private sector employers in the State of Minnesota to offer a retirement plan to their employees and ensures that any type of retirement plan, such as a 401(k) plan, satisfies the requirement. Further, SF 413 creates a state-facilitated IRA-based retirement program designed to be exempt from the Employee Retirement Income Security Act (ERISA). This approach will not force the state to compete with the many existing retirement plan products in the marketplace.

The ARA appreciates the opportunity to share its views on this important issue with the Minnesota House of Representatives. The ARA strongly supports SF 413 and urges its prompt enactment into law.

Sincerely,



Brian H. Graff, Esq., APM
Chief Executive Officer
American Retirement Association