

Why State Auto-IRA Programs Are Needed

ARA Endorses the Minnesota Secure Choice Retirement Program Act

The American Retirement Association (ARA) is a non-profit education and advocacy organization for retirement plan and benefits professionals. The ARA's members and their affiliated organizations support 95 percent of all the defined contribution plans, such as 401(k) plans, in the United States. The ARA represents over 35,000 retirement plan professionals nationwide, including 882 members in the State of Minnesota. Our mission is to advocate for policies that give every working American the ability to have a comfortable retirement.

The ARA – in its over 50-year existence – has consistently and actively supported efforts to expand retirement plan coverage in the private workforce. This has included support over the last two decades for auto-IRA legislation at both the federal and state levels. The auto-IRA concept was first proposed in a 2006 paper co-authored by Mark Iwry with the Brookings Institution and David John with the Heritage Foundation. Auto-IRAs are designed to be simple and low-cost, with minimal paperwork and administrative burden for the employer.

Workplace plans are how people save for their 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. Moderate-income workers are 12 times more likely to save for retirement if they have access to a retirement savings plan at work.

Small businesses support payroll deduction savings programs

Only 51 percent of employers with 50 or fewer employees offer a workplace retirement plan. However, nearly all small businesses that do not have a retirement plan want to offer one for their employees. Pew Charitable Trusts found that 86% of small and mid-sized employers without plans – employers with between 5 and 250 employees – support the concept of a payroll deduction retirement plan with automatic enrollment.

Many states have already created similar programs

In recent years, state governments have taken steps to close the retirement plan coverage gap in their jurisdictions with the enactment of auto-IRA laws that mirror the Minnesota Secure Choice Retirement Program Act. A key policy feature of these auto-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 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.

SECURE 2.0 small employer retirement plan start-up incentives

The recently enacted SECURE 2.0 Act significantly increased the incentives for small businesses to adopt a new retirement plan. Now businesses with 50 or fewer employees can get a credit for 100% of retirement plan administrative expenses for the first three years of a plan, capped at \$5,000. There are also new tax credits for employer contributions to these retirement plans for the first four years.