



Dream Save Achieve

HB 2174: State-Facilitated IRA Savings Program

Senate Finance & Appropriations Committee

February 16, 2021

Outline

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- **HB 2174: State-Facilitated IRA Savings Program**



Legislative History

2016: Virginia Retirement System Work Group published HB 1998 – Saving for Retirement (the VRS Report). HB 1049 was introduced proposing a statewide voluntary program. The legislation was tabled.



2019: Christopher Newport University published HJR 103 – Feasibility Study of Retirement Savings Programs for Virginia. HB 2431 was introduced proposing a statewide voluntary program. The legislation was tabled.



2020: Pursuant to Chapter 506 of the Virginia Acts of Assembly – 2020, the Virginia College Savings Plan published HD-12: Report on State-Facilitated Private Retirement Programs: Encouraging Citizens to Save for Retirement.



January 2021: House Appropriations Chairman Luke Torian introduced HB-2174 which if passed, would establish a State-Facilitated IRA Savings Program in Virginia.



Market Survey: Key Findings

Program Appeal to Employers by Region

90% - Northern Virginia



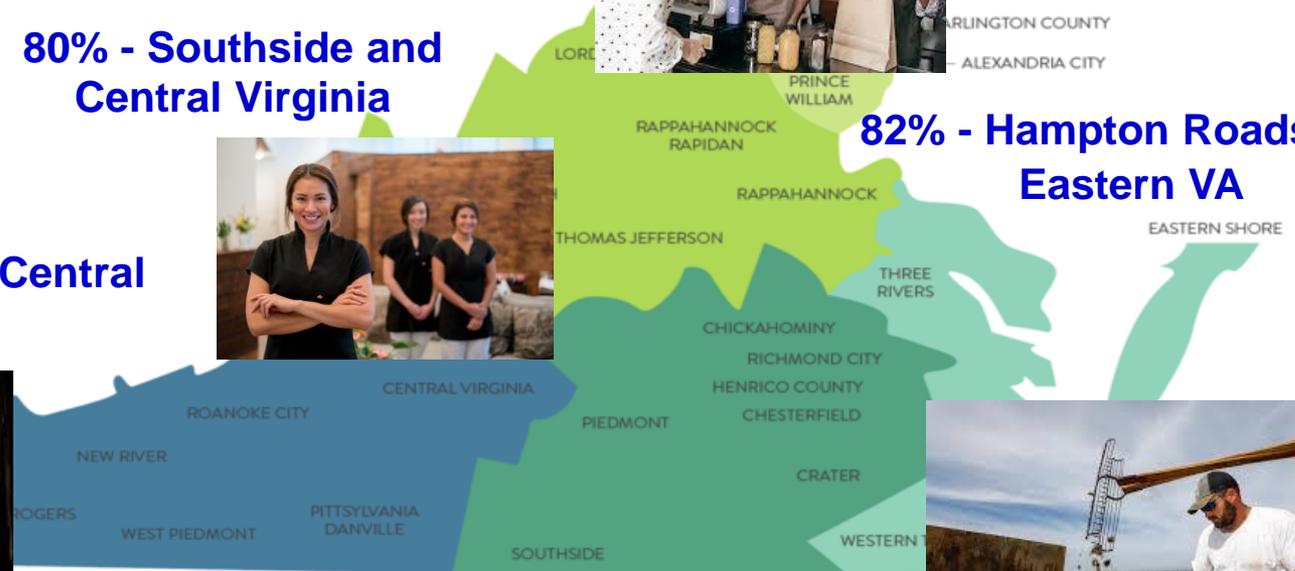
80% - Southside and Central Virginia



84% - Southwest and Central Valley



82% - Hampton Roads and Eastern VA



Market Survey: Key Findings

- Both employers and employees **strongly support the concept of a private retirement savings program** facilitated by the Commonwealth.
- Employer barriers to offering a plan include:
 - (i) lack of resources to administer a retirement plan (especially among small employers);
 - (ii) high cost to establish plans; and
 - (iii) choosing to focus on other employee benefits.
- Employees generally like the concept of an auto-IRA with automatic enrollment (with the choice to opt-out) and automatic escalation of contributions.
- Virginians generally trust the state to perform responsibly, particularly as it relates to fiduciary responsibilities and investment management.



Market Survey: Statements

“I like the idea of a government-sponsored retirement option. And I like the idea of it being something that the employee automatically gets enrolled in as opposed to it being like, you hire somebody, and then ask them, oh, do you want to participate in this program?”

Richmond Small Business Owner with < 10 Employees (HD-12 Market Survey)



“A plan from which all employees may participate and simply choose to opt out would be good for all. A plan that's easy to administer for the hospitality industry that has lots of part-time and high employee turnover would also be helpful.”

Employer Verbatim Comment (HD-12 Market Survey)



“It would be helpful to have access to state supported plans.”

Employee Verbatim Comment (HD-12 Market Survey)

“Please make it a reality...it would help a lot of young Virginians save for the future.”

Employee Verbatim Comment (HD-12 Market Survey)



The Cost of Doing Nothing

Government program expenditures caused by Virginians' insufficient retirement savings grows from an annual rate of \$1 billion in 2020 to \$1.7 billion by 2035.

\$21.6 billion

Combined state, local and federal expenditures by 2035

\$11.8 billion

State and local government portion of that expenditure



\$160

Estimated monthly savings required to close the retirement savings gap by 2035 for Virginia households earning < \$75,000 per year



Experience of Other States

- **45** states have introduced similar legislation.
- **12** states have enacted and are in the process of implementing retirement programs for employees without access to an employer-sponsored plan.



OregonSaves¹ Illinois Secure Choice² CalSavers³

Estimated eligible population of private sector workers in each state who lack access to an employer-sponsored retirement savings plan

	1 million	1.2 million	7.4 million		
Participant Data⁴	Total Assets (millions \$)	\$84.7	\$47	\$28.4	Across all programs
	Average Contribution Rate	5.3%	5.01%	5.01%	\$160 million Total Assets
	Average Monthly Contribution	\$134	\$96.60	\$113.91	263,764 Funded Accounts
	Effective Opt-Out Rate	34.1%	35.99%	30.45%	29,657 Employers Registered

Active Auto-IRA Plans by the Numbers:

- **\$114** - Average Monthly Contribution
- **66.5%** - Average Participation Rate

Data Source: [Georgetown Center for Retirement Initiatives](#)



HB 2174 Overview

If passed, HB 2174 would:

- Establish an auto-IRA program in Virginia by July 1, 2023.
- Establish program participation guidelines.
- Create a portable, simple and affordable retirement option for employees.
- Fund the program through a Treasury loan to be repaid through program fees.
- Establish a comprehensive and collaborative outreach and education campaign.
- Create a retirement planning and financial education program for participants.
- Direct the Virginia College Savings Plan Board to provide program management and oversight of the program, in cooperation with other Commonwealth agencies as appropriate.



HB 2174 Overview



If passed, HB 2174 would:

- Have minimal impact on employers:
 - Doesn't create fiduciary or legal responsibilities
 - Doesn't impose a financial burden on employers
 - Doesn't permit employer contributions to employee accounts
 - Doesn't require employer management; program functions handled entirely by the Commonwealth
- Allow participants to withdraw retirement savings tax- and penalty-free—subject to applicable IRS rules and limitations—for extra emergency funds, if needed.
- Offer a portable plan option for employees, regardless of employer changes.
- Continue to allow eligible employers to select and manage their own retirement savings plan option for employees outside of the state-facilitated program.
- Create greater retirement savings access to traditionally marginalized and under-resourced groups such as minorities and low-income workers.



Savings Scenario

A 30 year old worker earning \$14.42 per hour (\$30,000 annually) who contributes \$125 monthly (5% of wages) could have approximately \$198,000 at a retirement age of 67. This would add \$802 a month for a period of 23 years at retirement.*



***Note:** Above scenario is not investment advice, but merely a notional representation of possible account outcomes of a state-facilitated private retirement program.

Source: Illinois Secure Choice Saver Portal
<https://saver.ilsecurechoice.com/>



Closing Remarks

