

GAO recommends task force to promote micro retirement plans

By Editor Test *Wed, Mar 28, 2012*

Only 14% of small employers--for-profit firms that employ 100 or fewer people--sponsor some type of retirement plan, according to a new GAO report.

The Government Accountability Office has recommended that the Department of Labor convene an interagency task force with the Treasury Department, the IRS, and the Small Business Administration SBA to foster retirement plan sponsorship by small employers.

In a recent [study](#), GAO documented its findings that:

- Only 14% of small employers sponsor some type of retirement plan.
- The likelihood that a small employer will sponsor a retirement plan depends primarily on the size of the employer's workforce and the workers' average wages, not the industry or the geographic region.
- The greatest likelihood of plan sponsorship was among small employers with larger numbers of employees and those paying an average annual wage of \$50,000 to \$99,999. The most common plans sponsored by small employers are 401(k)s and Savings Incentive Match Plans for Employees (SIMPLE) Individual Retirement Arrangements (IRA)—an employer-sponsored IRA designed for small employers—at 46 percent and 40 percent, respectively, of total plans.
- IRS currently does not have the means to collect information on employers that sponsor another type of IRA plan designed for small employers, the Simplified Employee Pension (SEP) IRA plan, which limits what is known about employers that sponsor these plans.

In the executive summary of the report, *Private Pensions: Better Coordination Could Help Small Employers Address Challenges to Plan Sponsorship*, the GAO said:

"Many small employers said they feel overwhelmed by the number of retirement plan options, administration requirements, and fiduciary responsibilities. For example, many are concerned about the potential risks associated with sponsoring a plan.

"Although federal agencies conduct education and outreach on retirement plans, a number of small employers and other stakeholders said small employers were unaware of these initiatives.

"For example, Labor, IRS, and the Small Business Administration (SBA) collaborate to develop and disseminate information and guidance online but do so through separate websites and in a largely uncoordinated fashion.

"Small employers and other stakeholders also cited other challenges to plan sponsorship, including a lack of financial resources, time, and personnel. However, some small employers said their employees prioritized health benefits over retirement benefits. To address some of the challenges to plan sponsorship, some small employers said they use contracted service providers that perform plan

administration tasks.”

Options offered by small employers for addressing some challenges and reducing the complexity of plan sponsorship for small employers included:

- Simplification of federal requirements for plan administration, such as easing or eliminating certain plan testing requirements.
- Increasing the tax credit for plan startup costs.

Reasons for the study

One-third of private sector employees in the United States work for small employers. Congress and federal agencies have made efforts to encourage small employers to sponsor retirement plans for workers, but federal data show workers’ access to plans remains limited, leaving many without a work-based plan to save for retirement.

For this report, GAO examined (1) characteristics of small employers that are more or less likely to sponsor a plan for their employees, (2) challenges small employers face in establishing and maintaining a plan for their employees, and (3) options to address these challenges and attract more small employer plan sponsors.

GAO defined small employers as for-profit firms that employ 100 or fewer employees. GAO analyzed IRS and Labor Department data, interviewed agency officials and experts, held discussion groups with small employers, and reviewed relevant federal rules, literature, and retirement plan proposals.