
Talk exceeds progress on state-run private retirement plans

By Editorial Staff *Wed, Aug 20, 2014*

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Six states have considered legislation this year that would create state-run individual retirement accounts for private-sector workers, according to data from the National Conference of State Legislatures.

In the past, a handful of other states have passed laws to assess the costs and benefits of offering state-run retirement plans for private-sector workers who don't have access to them at work. So far no state has such a plan, but California and Massachusetts are close.

About half of U.S. workers do not have access to a 401(k) or other types of retirement plans. Workers without access can open personal IRAs, but backers of state-run plans say people want the convenience of a workplace savings option.

Advocates say the state legislatures are the best place to address this issue. Despite the recent announcement of the federal "MyRA" savings plan, the National Institute on Retirement Security maintains that a uniform federal solution may not be ideal, because the states' private-sector workforces are at different levels of retirement readiness.

"New York is not going to have the same need as Alabama," said Hank Kim, executive director and counsel for the National Conference on Public Employee Retirement Systems (NCPERS), in a press release. "Let the politics and needs of each state dictate how they address retirement security."

NCPERS' model plan for the states, the Secure Choice Pension, is a defined benefit cash balance plan where workers' retirement savings would be reported like a 401(k) balance. The plan would be fully portable.

California is the closest to implementing a state-run plan. In 2012, Gov. Jerry Brown signed a law requiring all private-sector businesses with five or more employees that do not offer a retirement plan to automatically enroll workers into the plan via existing payroll deduction systems. The system startup hinges on a market and feasibility study that is due at the end of the year.

Some observers think states should stay out of the retirement business for private workers. In Connecticut, where a task force is studying the concept, the business community argued that a state-run plan could compete with private plan providers and create headaches for business owners. Oregon is also studying the idea. A 2013 study from AARP showed that half of Oregonians ages 45 and older don't have retirement plans through a previous employer.

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