Vermont offers state-wide voluntary MEP

By Kerry Pechter *Thu, Jun 1, 2017*

The voluntary multi-employer plan, or MEP, 'will be open to any employer with fewer than 50 employees that does not currently provide a retirement plan to its employees.' Some observers wonder if a voluntary plan will move the dial on access to a retirement plan.

Vermont's legislature has approved S135, an economic development omnibus **bill** that provides for the creation of the "Green Mountain Secure Retirement" plan, a voluntary group 401(k) plan, or multi-employer plan (MEP) for small businesses in the state.

Pending due diligence by the Treasurer's office, the goal is to implement the retirement plan by January 15, 2019.

Vermont's state-sponsored MEP "will be open to any employer with fewer than 50 employees that does not currently provide a retirement plan to its employees. This program makes a secure, vetted retirement option available to Vermont's small employers," said a release from the state treasurer's office.

A seven-member board, with broad representation of interested parties, will be responsible for choosing "investments, managers, custodians, and other support services" for the MEP during the next 18 months.

By restricting the state-sponsored MEP to employers with fewer than 50 employees, the law ensures that the plan won't represent competition for major 401(k) plan providers, who typically focus their sales efforts on larger firms.

Multi-employer plans are one of three types of publicly-sponsored retirement savings initiatives that have been explored by various U.S. states as they try to solve a stubborn problem: the fact that many small businesses do not provide tax-favored retirement plan where employees can make automatic payroll contributions. More than 100,000 workers in Vermont, 45% of working Vermonters, don't currently have access to such a plan.

Participation in a state-sponsored MEP is up to the employer to decide—just as creation of a 401(k) or SIMPLE IRA is up to the employer. The MEP lowers the hurdles to plan creation by small businesses by assuming most of the administrative chores associated with setting up and maintaining even a small 401(k) plan. Once the employer chooses to join the MEP, all employees would be automatically enrolled into the plan but could opt out if they chose.

Some believe that only a mandatory auto-enrolled defined contribution, like the U.K.'s NEST plan, would significantly increase the availability of workplace savings plans. Only about half of U.S. workers have access to retirement plans at work at any given time.

"After 40 years of the failed 401(k)—and after four years of states championing individual retirement accounts—Vermont devises voluntary multiple employer plans," said Teresa Ghilarducci, director of the Schwartz Center for Economic Policy Analysis at the New School for Social Research in New York. "Focusing on employers is good; voluntary is insufficient. Been there, done that. We need a mandatory saving supplement to Social Security."

Several states, including large, Democratic-majority states like California, New York and Illinois, have pursued so-called Secure Choice plans that would require most employers who don't offer any other workplace plan to arrange for their employees to be auto-enrolled into Roth IRAs and to make regular contributions (up to the annual IRA limit).

But many retirement industry trade groups, including the American Council of Life Insurers, the Insured Retirement Institute, and the National Association of Insurance and Financial Advisors, have opposed such mandatory plans. They fear that many small employers might take the path of least resistance and default into such plans, and thereby become a lost market for the 401(k) plans that are sold by those organizations' members.

Green Mountain Secure Retirement bill

S135 provided that the MEP plan will be available on a voluntary basis to employers with 50 employees or fewer; and that do not currently offer a retirement plan to their employees; and self-employed individuals. According to the law:

- The plan will automatically enroll all employees of employers that choose to participate in the MEP; allow employees the option of withdrawing their enrollment and ending their participation in the MEP; be funded by employee contributions with an option for future voluntary employer contributions; and be overseen by a board that shall set program terms; prepare and design plan documents; and be authorized to appoint an administrator to assist in the selection of investments, managers, custodians, and other support services; and that shall be composed of seven members.
- The board members will include an individual with investment experience, to be appointed by the Governor; an individual with private sector retirement plan experience, to be appointed by the Governor; an individual with investment experience, to be appointed by the State Treasurer; an employee or retiree, to be appointed by the State Treasurer; an employee advocate or consumer advocate, to be appointed by the Speaker of the House; an individual who is an employer with 50 employees or fewer and who does not offer a retirement plan to his or her employees, to be appointed by the Committee on Committees; and the State Treasurer, who shall serve as chair.
- By January 15, 2020 and every year thereafter, report to the House and Senate Committees on Government Operations concerning the Green Mountain Secure Retirement Plan, including the number of employers and self-employed individuals participating in the plan; the total number of individuals participating in the plan; the number of employers and self-employed individuals who are eligible to participate in the plan but who do not participate; the number of employers and self-employed individuals, and the number of employees of participating employers who have ended their participation during the preceding 12 months; the total amount of funds contributed to the Plan during the preceding 12 months; the total amount of funds withdrawn from the Plan during the preceding 12 months; the total funds or assets under management by the Plan; the average return during the preceding 12 months; the costs of administering the Plan; the Board's assessment

concerning whether the Plan is sustainable and viable.

- Once the marketplace is established, the reports must include the number of individuals participating; the number and nature of plans offered; and the Board's process and criteria for vetting plans; and any other information the Board considers relevant, or that the Committee requests.