

Center for State Innovation

Retirement Savings Briefing

The Economic Opportunity
Institute's efforts to promote
Washington Voluntary Accounts

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January 7, 2009

Inception of the Idea

- Dean Baker began working with EOI in 2000 to develop the concept of voluntary retirement accounts
- EOI met with stakeholders, conducted research and developed policy briefs
- Legislation was introduced each year between 2002 and 2007

State Solution: Voluntary Savings Accounts

- Defined contribution plan
- Tier 1– IRAs for individual workers
- Tier 2 – 401(k) or Simple IRA
- Pre-selected menu of investment options
- Administered by state

Advantages of Retirement Accounts for workers

- Payroll deductions
- Portability between jobs
- Low costs – economies of scale
- Simplicity – pre-vetted options

Advantages to Companies

- Easy administration
- Low cost
- Allows small firms to provide retirement plans

Washington Business Owners Survey

- Interviews were held with 24 small business owners from all parts of Washington State.
- Businesses of different sizes were interviewed, including 17 with 1-10 employees, 6 with 11-50 employees, and 1 larger than 50.
- All but two supported the idea of Washington Voluntary Accounts (WVAs).

EOI Interviews Small Businesses about Washington Voluntary Accounts, Economic Opportunity Institute, 2006.

Washington Business Owners Survey

Businesses wanted a program that:

- had diverse options,
- support for employers and employees such as a hotline or website,
- promotion in the workplace so the employer isn't totally responsible, and
- a portable account.

EOI Interviews Small Businesses about Washington Voluntary Accounts, Economic Opportunity Institute, 2006.

Meeting the Concerns of Small Business in Washington State

WA Voluntary Accounts are envisioned to meet many of the barriers employers' cite including:

- reduced administrative costs
- easy to understand information
- optional company contributions, and
- a plan customized for the needs of small business

How will Washington Voluntary Retirement Savings Accounts affect the private investment industry?

VAs will *help* the private investment industry

- States will contract with private companies
- Pool of investors will increase
- Over time, people will roll over VA accounts into accounts with private firms

Washington State Legislative Action - 2007

- \$450,000 provided to the WA State Department of Retirement Systems
- Task to conduct research and design a plan for the operation of a universal voluntary retirement accounts program
- Report to the Legislature and Governor will be delivered soon

Department of Retirement Systems Report

- Solicited input from a wide range of stakeholders including EOI, finance Industry, university and other researchers
- In-depth review of the need and possible role for government
- Tried hard to make the program a win for the finance industry
- Three options:
 - IRA 1 – Treasury Inflation-Protected Securities (TIPS)
 - IRA 2 – TIPS with a small growth component, maybe 30%
 - 401(k) – State administered (state design, contract with 3rd party vendors)

Next steps

- EOI will work with legislators to introduce a bill to establish the program in statute.
- Bill will likely have state government manage both the IRA and 401(k) components.