How America Retires: States Seek Solutions

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Americans aren't saving enough for retirement. Deloitte Global's 2021 study estimated the retirement gap – the delta between what retirees will need and what they have saved – at $3.68 **trillion**. The study also found that 57% of workers explained that it's not that they can't afford to save more. Instead, it's either because they don't know what to do, they intend to continue working later in life, or they have competing financial priorities. Increasingly, states are taking the matter into their own hands. They've decided to offer workers a simple, automatic solution for bridging the gap: mandated employer-sponsored retirement plans. These plans require certain employers (depending on size) to either offer their own private retirement plans or auto-enroll employees in a state plan. There are currently 6 states with active state-sponsored plans: California, Connecticut, Illinois, Massachusetts (nonprofits only), Oregon, and Washington. In addition, Colorado, Maine, Maryland, New Jersey, New Mexico, Virginia, and Vermont have passed legislation and will be implementing plans soon. And

cities, such as New York City and Seattle, are also jumping on the bandwagon. Case in point: By **June 30, 2022,** employers of 5 or more employees in California must offer a retirement savings plan or opt into the state-sponsored CalSavers program. This requirement has already been in effect for employers of more than 100 employees as of September 30, 2020, and of more than 50 employees as of June 30, 2021. Note that states are usually not requiring employers to contribute to the plans. Rather, they've generally tasked employers who don't offer their own plan with five functions:

1. Registering with the state plan
2. Auto-enrolling employees and new hires
3. Reporting enrollee data to the states (often dubbed a roster report)
4. Deducting employee contributions from pay
5. Remitting contributions to the state fund, usually structured as Roth individual retirement accounts (post-tax IRAs)

Nor are states requiring *employees* to participate. Mostly, employees can opt in and out, port their IRAs from employer to employer throughout their career path, and change the state default percentage for contributions. Let's take California as an example. (Other state requirements may vary – be sure to check with your tax and benefit advisors before making any financial or HR decisions.) In California's CalSavers plan, the default IRA contribution is 5%, but employees can opt to contribute more or less or even nothing at all. The state provides employees with a calculator to help them customize their savings choices. **What Is the Employer's Role in CalSavers?** Employers serve a limited role: facilitate the program by adding and maintaining their employee roster and submitting employee contributions via simple payroll deductions. Employers must register for the program; there are no employer fees or fiduciary responsibilities nor do employers have to make contributions to employee accounts. **What Is the Employee's Role in CalSavers?** Employees will be auto-enrolled after 30 days if they do not opt out and will begin saving through payroll contributions. They can opt out or opt back in at any time. The CalSavers account is a Roth IRA (post-tax) that is set up in their name. The default savings rate is 5% of gross pay. Savers can change their rate at any time, and the account is portable if they switch jobs. **What Do the Employer Reports Look Like?** California, like most states, follows a standard format for the employer's periodic contribution reports: employee last name, employee first name, Social Security Number, and amount of contribution. The state has provided a report template for employers to use. Viventium is in it with you. With our convenient Business Intelligence (B.I.) tools, employers can customize reports to meet their state-mandated retirement plan obligations and assist their employees in bridging the retirement gap. To learn more about Viventium's B.I. tools, visit our Business Intelligence page.

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