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STATE SPONSORED RETIREMENT SAVINGS PLANS FOR NON-PUBLIC EMPLOYEES
State Legislation

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With the passage of Senate Bill 1234, California became the first state to create a statewide retirement savings plan for private workers who do not participate in any other type of employer sponsored retirement savings plan. Also, legislation passed in Massachusetts this year allows nonprofit organizations of less than 20 employees to set up a contributory retirement savings plan that will be overseen by the state treasurer's office. A retirement savings account, also known as a security, guaranteed or voluntary savings account, is a state government sponsored savings plan that permits residents of a state other than public-sector employees to participate in tax-deferred savings accounts sponsored by a state government. The policy goal of these accounts is to encourage and facilitate retirement savings for non-public sector employees whose employers do not sponsor such accounts. Their eligibility for tax deferment would be subject to IRS letter rulings regarding each individual program.

This report lists proposals for state legislation through the Oct. 1, 2012. This list is not exhaustive as the variety of terms and descriptions used for such programs makes it possible that NCSL's searches for legislation missed some bills on the topic.

CALIFORNIA

S.B. 1234*, 2012*

Approved by governor 9/28/2012, Chapter 734 Statutes of 2012

This bill establishes the California Secure Choice Retirement Savings Investment Board (Board), as defined, and the California Secure Choice Retirement Savings Trust (Trust), a continuously appropriated fund, for creating a statewide program known as the California Secure Choice Retirement Savings Program (SCRSP). Senators Kevin de León (D) and Darrell Steinberg (D), et al, sponsored this bill, titled "An Act Relating to Retirement Savings Plans." SCRSP will exist to provide a statewide retirement savings plan for private workers who do not participate in any other type of employer sponsored retirement savings plan. Contributions by employers and employees will be voluntary. For SCRSP to become operational, this bill requires the Board conduct a market analysis to determine various factors concerning implementing the SCRSP and to report to the Legislature on its findings. This analysis may be done only if sufficient funds to do so are made available through a nonprofit or private entity, federal funding or an annual Budget Act appropriation. Once created, administrative costs for the SCRSP shall be paid for from earnings on investments into the trust and shall be no more than 1 percent, annually, of the total program fund assets. (Senate Bill Analysis 9-28-2012)

A.B. 2940, 2007-2008

Died in Senate committee

AB 2940 creates the California Employee Savings Program (CalESP), which will require the California Public Employees Retirement System's Board of Administration to offer individual retirement accounts or defined benefit plans to employees of private-sector or nonprofit employers that do not otherwise provide access to retirement savings plans.

A.B. 125, 2009

Passed Senate committee without further action

AB 125 creates the California Employee Savings Program, to be administered by California Public Employee Retirement System, and designed to offer individual retirement accounts (IRAs) to employees of private sector or non-profit employers that do not otherwise provide access to retirement savings plans.

CONNECTICUT

H.B. 5313, 2012 (also H.B. 5337)

Passed House 5/1/2012

Establishes a task force to evaluate the utility of creating a public retirement plan and the need for public retirement plan. The study shall include, but not be limited to, an examination of:

1. Access residents of this state have to employer-sponsored retirement plans.
2. The types of employer-sponsored retirement plans offered by employers in this state.
3. Estimates of the amount of savings and other financial resources residents of this state have upon retirement.
4. Estimates of the amount of savings and other financial resources recommended for a financially secure retirement.
5. The level of reliance retired residents of this state have on public assistance benefits as a result of insufficient retirement savings or income.
6. Tax incentives the state currently has in place to encourage retirement savings.
7. Statistics on the utilization and effectiveness of such tax incentives by residents of this state.
8. Opportunities the state can pursue to encourage residents of this state to prepare for retirement.

S.B. 1, 2009

Did not pass

The bill requires the comptroller to establish a tax-qualified defined contribution retirement program to provide retirement investment plans, including, but not limited to, those created under Section 401 of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue code of the United States, to self-employed individuals, small employers and organizations qualifying as tax-exempt. In administering such plan, the comptroller shall seek to minimize costs by helping small employers, such organizations and individuals purchase retirement savings plans, arrangements and investments through economies of scale, standardization and other measures. In carrying out the provisions of this section, the comptroller shall contract with a third-party administrator for the management of such plan or plans and shall recover from program assets expenses incurred to initiate, operate and administer the program.

ILLINOIS

S.B. 1844, 2011-2012 (also S. B. 3278, H. B. 1672, H. B. 4472 and H. B. 4497)

In Senate Committee on Assignments 3/9/2012

This bill creates the Illinois Automatic IRA Program Act. The bill provides that the state treasurer shall administer the Illinois Automatic IRA Program and that the Treasurer shall adopt regulations to implement the program. It allows employees of certain employers that have not offered a qualified retirement plan for two years to set aside a percentage of their wages to be deposited into an IRA trust fund administered by the state treasurer's office. It also sets minimum requirements for the operation of the program and sets forth duties and authority of the state treasurer in relation to the program. Additionally, the bill limits state and employer liability.

MARYLAND

S.B. 728, *2008*

Did not pass, no action taken

This bill establishes the Maryland Voluntary Employee Accounts Program. It requires the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans to implement, maintain, and administer the Program and specified retirement plans for specified employees. It also requires the Board of Trustees to submit information to specified employers and employees and authorizes the Board of Trustees to employ individuals.

HB 1414, 2006

Died in committee

Summary is the same as S.B. 728, 2008, above. This bill resulted in an interim study. That study is available here.

MASSACHUSETTS

H. B. 3754, Chapter 60 Acts of 2012

Signed by governor 3/22/2012

This act, titled "An Act to Provide Retirement Options for Nonprofit Organizations," will allow nonprofit organizations with fewer than 20 employees to enter into a contributory retirement plan. No state money will be used to fund the retirement plan, which will be overseen by the treasurer's office. Currently, the treasurer's office oversees a contributory plan with $5 billion in assets that includes approximately 300,000 members. Adding the plan for nonprofit organizations will not have a significant impact on operations. To establish the plan, the treasurer's office may create a trust to receive qualified contributions from nonprofit employers and employees, and will establish a nonprofit defined contribution committee that will include the treasurer and four other members. The legislation was supported by the Massachusetts Nonprofit Network and is considered one of the first of its kind in the nation.

H.B. 1194, 2012

From Joint Committee on Financial Services, accompanied study order H444 9/17/2012

The legislature finds that small and medium sized businesses find it difficult to offer retirement plans because of the complexity and costs. Businesses offering retirement plans have better ability to recruit and retain employees. The Massachusetts voluntary retirement accounts program will provide a simple and cost effective way for employers to offer an important employee benefit. The legislature also finds that many workers do not have access to an employment based retirement plan. Workers who are unable to build up pensions and savings risk living on low incomes in their old age and are more likely to become dependent on state services. The Massachusetts voluntary retirement accounts program will provide for a simple and inexpensive way for worker to save for retirement.

MICHIGAN

H. B. 4135, 2007

Did not pass

The MI Retirement Program Act creates a retirement system for the purpose of increasing access to retirement plans for small business employees and provides certain duties of certain state agencies.

NEW YORK

A.B. 3719, 2011

Did not pass, enacting clause stricken 9/4/2012

This legislation directs the department of audit and control to study and make recommendations on the establishment and operation of a public retirement system for the benefit of employees of private providers of mental hygiene services. The purpose of the bill is to direct a study on the feasibility of creating a retirement system for mental hygiene not-for-profit services workers. This legislation will begin the process of creating a substantial incentive for direct-care workers that will help substantially lower the high turnover rates in this health care sector. That will help both workers and mental hygiene consumers.

PENNSYLVANIA

H. B. 1669, 2007

Died in committee

This act establishes the Pennsylvania Voluntary Accounts Program, the Pennsylvania Voluntary Accounts Program Advisory Board and the Pennsylvania Voluntary Accounts Program Bureau. It provides for powers of the treasury department and establishes the Pennsylvania Voluntary Accounts Program Fund.

RHODE ISLAND

H.R. 5696, 2009 (also S.R. 453)

Passed both chambers

A joint resolution creating a special commission to study the establishment of universal voluntary retirement accounts.

WASHINGTON STATE

HB 2044, 2007-2008 (also S.B. 6067)

Did not pass

This bill creates the Washington Voluntary Retirement Accounts Program (WVRA), subject to funding specifically provided for it in the operating budget. It requires the director of the Department of Retirement Systems to develop a plan for the WVRA and seek approval to offer the plan on a tax-qualified basis to private-sector workers in Washington. It also creates a WVRA Partnership Program Account for moneys used to administer the WVRA program on a nonappropriated basis and it requires private employers to provide employees with the opportunity to enroll in the WVRA. The House analysis is available here.

S.B. 5791, 2009-2010 (also H.B. 1893)

Did not pass

This bill creates the Washington Voluntary Retirement Account Program and it requires private employers and the Department of Retirement Systems to provide nongovernmental employees the opportunity to participate in retirement plans called "individual retirement accounts." It also provides a deferred compensation program similar to a 401(k) and a workplace-based individual retirement account program and requires the Department of Retirement Systems to administer the individual retirement accounts and the State Investment Board to invest the money in the Program. The bill also creates a Washington Voluntary Retirement Account Partnership Program Account for state and non-state funds collected for operation of the program. The Senate report is available here.

VERMONT

Vermont State Treasurer Retirement Savings Plan Proposal, 2006

Not adopted

The Vermont State Treasurer proposes a voluntary retirement savings plan option for employers and employees, or self-employed Vermonters, sponsored by the State of Vermont at no cost to taxpayers. The plan is proposed in response to a large percentage of Vermonters not currently saving for retirement. The plan will piggyback on the state's existing defined contribution and/or deferred compensation plans to offer businesses the option of providing a 401(K) retirement plan for their employees. Administrative and investment expenses will be covered in the fee for plan participants. A presentation on the savings plan is available here.

VIRGINIA

H.B. 2026, 2009

Did not pass

This legislation creates the Virginia Employee Voluntary Accounts Program. Under the program, private employers with less than 50 employees that have not offered a payroll savings deduction plan to employees in the preceding year may enroll to offer tax-deferred retirement plans to their employees. The program will be administered by a board of directors, which is authorized to hire a director and staff, and to retain a financial institution to serve as third-party administrator for the management of the assets of the program. The program is not authorized to accept enrollees or funds until the Internal Revenue Service has approved a plan of operation for the program.

WEST VIRGINIA

House Bill 2423, 2012

Referred to House Committee on Finance 1/11/2012—did not pass, adjourned

The purpose of this bill is to create the West Virginia Voluntary Employee Retirement Accounts Program, a voluntary tax deferred retirement plan for nongovernmental employers and employees in West Virginia who are without a retirement plan. Participation by employers and employees is voluntary. All federal requirements must be met before operations begin. A trust and an administration account are established. The bill provides for initial start-up and operations funding of $3 million from the Unclaimed Property Trust Fund, subject to appropriation, and provides for repayment of the amount. The Treasurer is authorized to collect fees from accounts for operations. The bill specifically provides that the state and the Treasurer are not liable for any losses or change in value. Information of a personal nature gathered for participation in the program is confidential and not subject to a Freedom of Information Act request.

SCR 6, First Regular Session of 2008

Adopted by both chambers

This resolution requested the Joint Committee on Government and Finance to study of universal voluntary accounts and report to the General Assembly in 2009.

OTHER RESOURCES

NCSL provides links to other websites and reports from outside organizations for informational purposes only; it does not constitute support or endorsement of the material.

Dean Baker, Universal Voluntary Accounts: A Step towards Fixing the Retirement System. Washington, D.C., Center for Economic and Policy Research, n.d.

Bell Policy Center, Denver, Colorado. Recommendation to the Colorado General Assembly to create Colorado voluntary pension accounts. December, 2006

Economic Opportunity Institute (EOI), Seattle, Washington

Burris, Gary, Washington Voluntary Retirement Accounts, 2009, EOI

Universal Voluntary Retirement Accounts: State Updates, April 2009, EOI

Burris, Gary, Stronger Nests, Bigger Eggs: New public policy options to promote retirement income security, EIO, Seattle, Washington, June, 2009

Washington Voluntary Accounts: A Proposal, EOI

Knight, Sadaf, Universal Voluntary Retirement Accounts: Expanding Employee Savings Opportunities, July 27, 2010, Massachusetts Budget and Policy Center

Rourke O'Brien, Golden Dream Accounts: A Proposal to Expand Worker Access to Retirement Savings Accounts in California, New America Foundation, May 2008

Schwartz Center for Economic Policy Analysis, Federal Budgeting for Retirement Security: Ensuring Safe and Secure Retirement through Guaranteed Retirement Accounts

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