State Fiscal Analyses – State Sponsored Retirement Plans for Private Workers

California
California passed its mandatory state-run Secure Choice plan in 2012 and conducted a $1.5 million feasibility study through Overture Consulting. The feasibility study indicated the start-up costs for the program would be $170 million, and repayment of this amount by participant fees would take between 7 and 20 years depending on enrollment levels. A third- party study by former state fiscal analysts estimated that an additional $25 million per year would be needed to administer the plan. The 2016 legislation allowed the Secure Choice Investment Board to implement the plan **only if** it met the DOL's ERISA safe harbor rule. However, that rule was repealed by Congress in 2017. Even so, the Board **submitted a budget request for a $170 million loan to cover the multi-year implementation cost. $16 million in borrowing** authority has already been approved. General enrollment began in July 2019. *(Governor's budget, January 2017)*

The California program, now called CalSavers, is already under **serious legal threat** from a lawsuit asserting that the plan subjects employers to ERISA liability, in violation of the authorizing statute. If the lawsuit is successful, it would **undermine the premise of the six Secure Choice plans that have already passed and those that are proposed this year in Hawaii, Maine, and other states.** (*HJTA v. Calsavers*)

Connecticut
The Comptroller estimated costs for the feasibility study and start-up costs of up to **$2.4 million** in '15 and up to **$8 million** in '16. However, the final **feasibility study performed by Oliver Wyman, with input from CRR and Mercer, estimated the first-year cost of the mandatory auto-enrollment Roth IRA plan passed in 2016 at $1.5 million, $500k annually thereafter and $25 million in startup costs that would have to be repaid by participant accounts over 5-10 years.** *(Connecticut Retirement Security Board Report, January 2016*) In December 2019, the *Hartford Courant* reported that the Board had run out of money and would need to lay off their executive director.

Illinois
In 2014, the Treasurer's office projected that "between **$15 million and $20 million** will be needed to provide the newly created Board with the employees, consultants, lawyers, actuaries, EDP support, office space and other expenses necessary **to properly design, implement and operate this program** within the mandated 24-month period. The distribution of the **$15 million to $20 million start-up cost over 2-years** is dependent upon how quickly the program begins to operate. The projected costs do not include costs incurred as a result of fees charged to the Board by the Illinois Department of Revenue for its enforcement costs not covered by business penalties." *(Illinois Treasury fiscal note.)*

Maryland
In 2016, the Maryland Department of Legislative Services published a fiscal note for HB 1378, a mandatory state-run Roth IRA plan that became effective on 7/1/16 but has not yet moved to implementation. The **first-year** startup cost is estimated at **$1.579 million**, with a similar expenditure for the next three years of the plan. In addition, the **loss of revenue to the General Fund** is estimated at approximately **$38 million per year** for the first four years the plan is in effect. This revenue is due to the waiver of business fees for any employer who is subject to the plan's mandated participation. *(Fiscal and Policy Note, Department of Legislative Services, 2016)*

Minnesota
Minnesota approved **$400,000** for a feasibility study of state-run plan for private workers. The office of Management and Budget directed the study and contracted with Deloitte Consulting LLP. The final Deloitte study was published on March 24, 2017 and estimates the start-up cost of a mandatory auto-IRA plan to be **approximately $60 million**. *(Deloitte Consulting LLP, State Administered Private Sector Employee Retirement Savings Study)*

Oregon
The Oregon Legislature allocated **$1.3 million over the first 18 months** after the bill was effective to fund a new retirement savings board created by HB 2960. This funding **only covered the initial design** of a proposed state-run

plan for private workers using outside consultants. A pilot phase of the OregonSaves program began in July 2017 and through calendar year 2018, the Board has now borrowed and **spent more than $5 million in General Fund dollars for startup costs**. Current assets are just over $44 million and it is unknown whether the loan can be repaid from participant accounts given the 0.90% administrative fee limit. When asked by the Oregon Ways and Means Committee in February 2018 how long it would take for participants to pay back these loans, the board could not give a time frame.

Washington

The Washington Office of Fiscal Management prepared a fiscal note for SB 6294, the 2014 voluntary IRA legislation, indicating the following startup and ongoing costs to state agencies: **$734,101** for first year feasibility study/federal approvals; **$2,541.271** for the first full biennium; and **$2,259,854** for the second full biennium. **$5,535,226 was the total** estimated expenditure for the first 5 years. These estimates are close to those prepared by the Washington Department of Retirement Systems when it studied potential state-run plans in 2009. The DRS estimate for the simplest of these plans, the state-run IRA without inflation protection, was **$1,893,698** for set up costs, and an annual cost of **$1,373,100** for ongoing administrative and communications costs. The costs for the inflation-protected IRA program were **$2,173,698** for setup and **$1,553,100** annually. These costs do not include any per-participant fees or investment management fees.

West Virginia

The State Treasurer's analysis of HB 4375, which would have created the Voluntary Employee Retirement Account Program, concluded the program would have cost approximately **$3 million** to establish, manage and monitor the program over a period of 5 to 6 years.