VT Saves
Retirement Program
(Senate Bill 135)

Treasurer Mike Pieciak
The Problem

• Americans, including Vermonters, have inadequate retirement savings.

• Too many Vermonters – particularly those who are self-employed or work for small employers – lack access to convenient, automatic retirement savings.

• Workers with access to workplace retirement programs are 15x more likely to save than those without. [Access to Workplace Retirement Plans by Race and Ethnicity, AARP Public Policy Institute, 2017]

• Vermonters with insufficient retirement savings will have to rely on social programs when they stop working.

• Over 80% of Americans earning less than $50,000 lack access to workplace retirement savings. [AARP Research Minute, Feb. 15, 2023]
Most Small Employers Do Not Offer Retirement Benefits

45% of all Vermont employers do not offer retirement benefits.

Among employers with 20 or fewer employees, about 55% do not offer retirement benefits.

While about 60% of Burlington-area employers offer a plan, only about 50% of employers in the rest of the state do. [2019 Fringe Benefit Study, Vermont Dept. of Labor].

When an employer does not offer a retirement plan, on average fewer than 5% of its employees are saving for retirement. [Payroll Deduction Retirement Programs Build Economic Security, Fact Sheet: Vermont, p. 2 fn. 3, AARP]

When an employer does offer a plan, over 70% of employees participate. Id.
Vermonters who are not currently covered are:

- Lower-earning
- Younger
- Less educated
- More likely to be BIPOC
- More likely to be female

### Payroll Deduction Retirement Programs
**Build Economic Security: Vermont - AARP Fact Sheet**
Americans in historically disadvantaged groups are on average less prepared for a financially secure retirement than others.

Women are on average less prepared for a financially secure retirement than men. (“The State of American Retirement Savings,” Economic Policy Institute, Dec. 10, 2019); this is due to lower average wages and longer lifespan, among other things.

Since the Great Recession, retirement wealth distribution has grown even more unequal:
Retirement Security is Unevenly Distributed (2/2)

Black and Latinx Americans are roughly half as likely as White non-Hispanic Americans to have any retirement savings at all.

Note: Retirement account savings include funds in 401(k)-style defined contribution plans and in IRAs.

No Age Group Has Sufficient Median Retirement Savings

Median retirement account savings of families by age, 1989–2016 (2016 dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>32–37</th>
<th>38–43</th>
<th>44–49</th>
<th>50–55</th>
<th>56–61</th>
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<tbody>
<tr>
<td>1989</td>
<td>$0</td>
<td>$560</td>
<td>$0</td>
<td>$1,866</td>
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<td>1992</td>
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<td>$839</td>
<td>$839</td>
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<td>1995</td>
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<td>$3,915</td>
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<tr>
<td>1998</td>
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<td>$7,777</td>
<td>$9,295</td>
<td>$8,558</td>
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<td>2001</td>
<td>$1,355</td>
<td>$6,774</td>
<td>$13,007</td>
<td>$14,903</td>
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<tr>
<td>2004</td>
<td>$1,272</td>
<td>$3,815</td>
<td>$9,666</td>
<td>$12,718</td>
<td>$22,256</td>
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<td>2007</td>
<td>$1,158</td>
<td>$6,137</td>
<td>$15,633</td>
<td>$27,213</td>
<td>$37,056</td>
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<tr>
<td>2010</td>
<td>$298</td>
<td>$1,990</td>
<td>$10,501</td>
<td>$14,369</td>
<td>$7,848</td>
</tr>
<tr>
<td>2013</td>
<td>$495</td>
<td>$4,331</td>
<td>$6,393</td>
<td>$8,249</td>
<td>$17,529</td>
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<tr>
<td>2016</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$13,000</td>
<td>$11,000</td>
<td>$21,000</td>
</tr>
</tbody>
</table>

Note: Scale changed for visibility. Retirement account savings include funds in 401(k)-style defined contribution plans and in IRAs.
Retirees without access to employer-based plans have *dramatically* lower savings than retirees with such access.

レン 63% of savers without an employer plan have *less than* $10,000.

レン 70% of savers with an employer plan have *more than* $100,000.

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**Figure 2**

Retiree Savings and Investments, With and Without a Retirement Plan*

| In total, about how much money would you say you (and your spouse) currently have in savings and investments, not including the value of your primary residence or defined benefit plan assets? 2021 Retirees n=1,353 |
|---|---|---|---|---|---|---|---|
| Less than $1,000 | 29% | 35% | 27% | 21% | 25% | 14% | 21% | 15% |
| $1,000 - $9,999 | 17 | 11 | 15 | 8 | 7 | 8 | 11 | 9 |
| $10,000 - $24,999 | 12 | 7 | 13 | 6 | 4 | 5 | 4 | 5 |
| $25,000 - $49,999 | 8 | 8 | 7 | 3 | 5 | 5 | 6 | 7 |
| $50,000 - $99,999 | 7 | 10 | 9 | 7 | 8 | 6 | 8 | 9 |
| $100,000 - $249,999 | 11 | 10 | 10 | 16 | 13 | 18 | 11 | 13 |
| $250,000 or more | 17 | 19 | 19 | 38 | 37 | 43 | 38 | 42 |

*Have Retirement Plan defined as respondent or spouse having at least one of the following: IRA, DC plan, or DB plan. Figures and n-sizes from all years presented exclude those who answered 'Don't know' or refused to answer. Source: Employee Benefit Research Institute and Greenwald Research, 2021 Retirement Confidence Survey.
On top of the retirement crisis, Vermonters – like other Americans – are not financially prepared for emergencies. Almost 60% of Americans do not have enough saved to handle a $1,000 emergency without borrowing. Because VT Saves would – by default – be a Roth IRA, it would function as an emergency fund as well as retirement savings. Savers may withdraw their principal at any time without penalty.
What are the Benefits of Auto-IRA Programs? (1/2)

• Substantial increases in retirement preparedness across the board
  • Projected increases in household net worth (NW) of 69% across all eligible workers

• Larger increases in readiness among historically disadvantaged Americans
  • Projected increases in household NW of 89% among Black and Latinx families.
  • For younger Black and Latinx families, increases are projected at 125%.

• Retirement Security Becomes More Evenly Distributed

• Generational/Entrenched Wealth Gaps are Reduced
Benefits of Auto-IRA Programs (2/2)

- Decreased reliance on social-safety-net programs in retirement. 2017 AARP estimate: roughly $1,000,000/year in reduced state spending if the average retiree had only $1,000/year in increased income.

- Savers may be able to delay claiming Social Security by one or more years between “early” (age 62) and “normal” (age 67) retirement. Each year of delay has the potential to increase Social Security benefits by 7-8% for life.

  - Pew Charitable Trusts (see link above) estimates that about half of auto-IRA participants would be able to delay claiming by at least 1 year, and about a third could delay by two or more years. The effects are most pronounced for BIPOC savers and savers with less than a high school education.

- Greater retirement security for seniors leads to greater financial freedom for their children and others who would otherwise fill the gap.
Savers are Making Meaningful Progress

- Savers in Oregon and California are setting aside an average of about $2,000 per year.

- Total assets under management in the six active states are $735 million as of Jan. 31, 2023.

- Average account balances are growing rapidly.

- Most savers accept the default deferral rate (5% in VT Bill, with 1% increase after each year of participation, to a maximum of 8%).

- Most savers use a target-date fund that automatically rebalances an appropriate mix of assets over time, based on saver’s age.
Auto-IRA is a Tested and Popular Model

(2015) Oregon
(2016) Maryland
(2016) Connecticut
(2016) California
(2019) New Jersey (as amended)
(2020) Colorado
(2021) Virginia
(2021) Maine
(2021) New York (as amended)
(2022) Hawaii
(2022) Delaware

Pew Trusts 2017 Survey

73% of workers support automatic enrollment

68% support automatic annual escalation of contributions

cri-state-brief-snapshot-22-01.pdf
(georgetown.edu)
VT Saves – Key Features (1/2)

- Minimal state costs – 3 or fewer FTEs. Some advertising/outreach costs. Efficiencies of partnering with another state and a third-party administrator.

- Applies only to employers without an existing plan.

- No cost to employers. Modest management fee to employees.

- Employees have full control: can opt out and control contribution rate. 5% by default, with “escalator” to 8%.
• Simple investment line-up. Capital preservation, target-date funds.

• Phased rollout – 25+ employees by July 1, 2025, 15-24 by Jan. 1, 2026, 5-14 by July 1, 2026.

• Potential to include even smaller employers – Oregon currently rolling out to <5.

• VT Saves will make thousands more Vermonters eligible for the Savers Match under Secure 2.0.
Resources

Oregon Saves

My CT Savings

CalSavers

Colorado Secure Savings

General Resources

Georgetown Center for Retirement Initiatives

AARP State Retirement Resource Center

Pew Charitable Trusts Retirement Savings Project

Brookings Institution State Retirement Resource Center