For the past 15 years, one of the Center’s top priorities has been to find innovative ways of finishing the formidable task of expanding pensions and retirement savings for the about 50 percent of the workforce – 70 million Americans – who are not currently participating in an employer-sponsored retirement savings or pension plan.

Getting the states to help solve this problem by using the efficiencies of their retirement systems to administer low-cost savings plans for private-sector workers is an idea that the Center has long advocated. In fact, it was a recommendation of a common-ground dialogue called the Conversation on Coverage, which the Center sponsored with financial institutions and retiree groups from 2001 to 2007.

Back then, it was just an idea that only one or states were considering. Now, 25 states have either passed or are considering legislation to implement or study a state-based retirement plan, recognizing that they can create models for the rest of the country and help their citizens save for retirement.

That’s why we welcome the guidance that the Department of Labor (DOL) issued last week, which allows states to experiment with a range of retirement solutions that could help workers, particularly those at the lower end of the wage scale, save for retirement.

The proposed regulations create a safe harbor to enable states to set up Automatic IRAs, with most of the duties delegated to the state, the employee given the right to opt out, and the employer’s responsibilities limited to ministerial duties, such as transmitting the money through payroll deduction. These rules should give the states the confidence they need to move forward with these approaches.

The Center endorses state-based IRA approaches because, as most of these plans are envisioned, the funds would be pooled and professionally invested to achieve economies of scale, which would result in lower fees for those participating and provide other key features.

While we are delighted that DOL’s guidance facilitates such experimentation, we also recognize that states will need to ensure that participants in these new plans enjoy rigorous consumer protections. To that end, we are working with allied organizations and legislators to promote such protections.

Since DOL has created a safe harbor to allow these plans to avoid preemption by the federal private pension law, ERISA, it is critical that the states themselves create strong protections equivalent to those in ERISA. For instance, the Center has already written a brief for AARP on consumer protections that should be incorporated into these plans. We will soon be proposing specific legislative language that states should adopt on disclosures, dispute resolution, spousal protections, and critical fiduciary protections to ensure that the money is invested solely in the
interests of participant and to ensure that employee contributions are forwarded to the state program.

We are particularly enthusiastic about the guidance that the DOL has issued as part of its Interpretive Bulletin 2015-02, which would allow states to set up certain types of ERISA plans without being preempted by ERISA. The advantage of this approach – particularly with respect to the multiple employer plan option – is that states can establish comprehensive pension plans that allow for both employer and employee contributions, that will lock the money in until retirement, and that allow for lifetime payouts. While Auto IRAs are an important start, ERISA pension plans are much more likely to produce secure and adequate benefits for workers, retirees, and their spouses.

We applaud the DOL’s actions yesterday in helping to address the retirement income crisis in this country by encouraging state-based laboratories, where a variety of models can be developed to see how they work in increasing coverage.