We would like to thank and acknowledge Loretta Austin for her work as the primary interviewer for this project. We are also indebted to Karen Friedman and Karen Ferguson of PRC, and Stacey Easterling of Atlantic Philanthropies, for their invaluable assistance throughout the process of preparing this report.

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The Economic Security Portfolio in Atlantic Philanthropies’ Aging Program: Context for Report

The objective of the economic security portfolio in the Aging Program was to protect and enhance economic support for low-income elders, particularly vulnerable populations (e.g., women, and diverse elders). Atlantic Philanthropies’ intentions were to ensure access to stable sources of income (primarily public sources such as Social Security) and other benefits (cash and non-cash) for older adults to meet their financial needs in retirement. Specifically, they chose to focus in two areas: 1) protecting and improving basic income and 2) ensuring benefit adequacy and enrollment. They set goals and pursued four specific approaches:

- Improve and protect Social Security (Grantees: Social Security Works/Alliance for Retired Americans; Center for Community Change)
- Restore and protect pension benefits for low-wage workers and retirees (Grantee: Pension Rights Center)
- Ensuring a more accurate assessment of financial need (Grantee: Wider Opportunities for Women)
- Improve low-income benefits coordination and increased uptake (Grantee: National Council on Aging)

Atlantic Philanthropies’ overall theory of change was rooted in the belief that sound policy analysis, proven best practice models, and well-organized and targeted advocacy can, when combined with supportive government officials, lead to positive structural change in all of these areas. Research and data could be used strategically to build public awareness, inform problem solving and strengthen democracy by helping advocates hold government accountable. The majority of Atlantic Philanthropies’ support targeted investment in state policy advocacy—strengthening the capacity of local advocacy organizations to make change at the state level and building momentum across a critical mass of states that makes the case for other states to follow.
As they near conclusion of their limited life Philanthropy, Atlantic Philanthropies has pursued a variety of learning activities to reflect on their approaches, articulate lessons that might help sustain progress, and share them with the field. In the culminating portfolio review for this Aging and Economic Security work, Atlantic Philanthropies commissioned an independent evaluator to examine the work of three anchor organizations who have demonstrated success advancing the issues, as well as establishing capacities that may continue to contribute to improving economic security beyond Atlantic Philanthropies’ sunset.
Executive Summary

The PRC Theory of Change

PRC’s Theory of Change addresses the growing retirement income deficit faced by workers approaching retirement age. According to PRC:\footnote{2013-2014 grant proposal submitted to Atlantic Philanthropies.}

Without adequate retirement income, older adults lack the resources they need to live independently, to pay for necessary health care, and to contribute to society. Although Social Security has kept most older Americans from sinking into destitution, millions of older adults are unable to make ends meet. Older people of color and women living alone are particularly at risk of retiring to poverty. Pensions and retirement savings plans offer the best hope of ensuring that people will have an adequate income to supplement Social Security. But the American private retirement system is plagued with problems: half of workers have no workplace retirement plan to supplement Social Security, and those with plans typically have only 401(k) plans, which have failed millions of workers, particularly lower-and moderate-income wage earners.

To remedy this, PRC designed a set of research, strategic communication and policy advocacy activities to increase coverage for millions of workers who currently have no pension or retirement savings plan to supplement Social Security. Beginning in 2001, and continuing through the period we studied (2013-2014), PRC and its partners worked to expand coverage for lower-income workers through state-administered retirement plans. It chose this approach because promising new plans were being developed in bellwether states—such as California, Massachusetts, and Illinois—that had the potential to expand coverage for private sector workers, particularly lower-and moderate wage-earners. PRC expected that the proliferation of state models for pension expansion could become the incubator for a comprehensive national solution in the future. The goal of the work funded under its final Atlantic Philanthropies grant in 2013 was, for at least one state, to enact a new state-administered private pension plan model during the grant period, which would result in thousands more lower-income private sector workers being covered by a secure retirement plan.

While proposals for state-based plans were first developed in the early 2000s, the success in the field since 2012 has been significant: 25 states have passed or are considering legislation to implement or study state-based retirement plans. While most of these plans are modest—and
should be understood as the first step toward providing retirement security—they are important tests of this new approach to administering private retirement plans.

The factors that allowed PRC to be a major player in this effort were described by experts in the field and include the following attributes:

- PRC is a trusted advisor to senior decision-makers on Capitol Hill
- PRC has deep expertise that is valuable to other experts in the field
- PRC is recognized for its unique ability to convene a broad, diverse and bipartisan group to discuss retirement security solutions
- PRC is highly skilled at advocacy and legal strategy
- PRC has long-term relationships with Administration officials and their staff
- PRC does a great job of messaging about retirement security issues.

Interview respondents unequivocally reported that PRC is an invaluable resource to the retirement security field. As this profile will illustrate, PRC’s experience, expertise and relationships have been brought to bear on one of the most significant threats to economic security for elders.

Lessons Learned

1. Perhaps the most powerful lesson that the PRC case offers funders and other advocates is that it takes many years of groundwork to accomplish state-level policy wins. PRC and its allies began promoting the concept of state-administered retirement plans in the early 2000s. As part of PRC’s work to promote new retirement vehicles, advocates had conversations with lawmakers at the federal and state levels, iteratively. PRC leaders noted: “In order for any policy decision to move forward, it takes years of preparation: years of education, years of grassroots organizing, years of media attention and years for an issue to bubble up to the forefront. In this case, the nation has awakened to the retirement income crisis and these state-administered plans are a response from legislators. It didn’t happen overnight.”

2. All policy wins are not created equal. In an attempt to get policy wins in the retirement security arena, advocates must not overlook the need to make sure that the retirement vehicles being developed are safe. PRC is working to make sure that workers’ contributions are protected. This will require that the retirement assets are collected and invested with the
appropriate safeguards. In addition to working to promote expanded coverage, PRC is committed to making sure that appropriate consumer protections are in place before programs are implemented.

3. Advocates working on innovative retirement security solutions are well served by having an understanding of both state and federal policies and regulations, and a track record of working at both levels of government to promote reform. PRC was in a good position to help usher in state-administered retirement plans through the process because of its policy expertise at the federal level, its legal experience, and a strong connection to allied national groups and their statewide affiliates. It was able to advise certain states on how to craft plans that would work within current federal guidelines, and to identify elements of the plans that required guidance from federal authorities. The state-administered Auto IRA plans that are moving forward are designed so they will not be subject to ERISA rules, which will make them easier to implement and administer without the risk of federal preemption.

4. Advocates often must accept incremental wins as steps toward their ultimate goal. The ultimate “win” for PRC and its allies is retirement security for all workers, which requires vehicles that allow for adequate savings. Adequacy will require employer, and possibly even government, matching. Yet, PRC and many of its allies take the position that the modest types of plans that have been put forward in many states can serve as an entry point for the advocacy that will eventually lead to their ultimate goal. While there is disagreement in the progressive community about whether to accept incremental wins, PRC has learned that this is an effective way to keep the momentum going in the right direction.

5. After a policy “win,” advocates must have the skills and resources to maintain vigilance in an oversight role. This is critical to ensure that laws and/or regulations are not watered down in response to political maneuvering or pressure. The watchdog role is as critical to long-term success as the policy reform role played by advocates. This role also allows advocates to look for ways to protect consumers by making sure that new policies are implemented as originally designed.
6. **It is vital for funders to provide support for advocates to build state level coalitions.**

   This is a time-consuming but essential step in the policy change process. Significant policy progress is not likely to occur without a strong, well-coordinated and diverse coalition in each state.

Since the launch of the very first national convening on this issue, PRC has been a leader and active participant in a national campaign that has resulted in the development of policy champions and private sector supporters for state-administered pension plans. Despite the fact that the state plans under consideration are modest and do not yet propose to cover all private sector workers, they are an important movement-building device as well as a key to providing needed retirement security for millions of Americans. In light of the political and economic landscape faced by PRC and its allies, this is quite an important accomplishment. PRC and its allies hope that this success will continue to attract attention from funders so that they are able to expand this movement to an ever-growing number of states in need of retirement solutions.
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Chapter 1: Background on the Pension Rights Center and Why States Matter in Coverage Expansion

Introduction

This profile describes the contribution that the Pension Rights Center (PRC) has made to successful policy reform debates to promote new state-administered retirement savings plans for private sector workers who are not already covered by an employer-sponsored pension or retirement savings plan. There are 25 states that have passed or are considering legislation to implement or study state-based retirement plans. PRC’s work related to these state-administered retirement savings programs reflects only one element of the broad-based policy work of the organization, yet serves as a useful case study of how a national organization that engages in advocacy, messaging and technical assistance can promote and influence policy changes at the state level in the critical area of retirement security – and thereby also create models that could inform a national solution.

Two contextual factors situate the value PRC brings to the state-level retirement security campaigns. PRC’s work is filling a critical void in the ageing sector, as there is a retirement security crisis facing American workers, particularly those whose employers do not offer pensions or retirement savings plans to their employees. This disproportionately affects low- and moderate-wage earners and people of color.1 Additionally, the political environment that has prevailed in Washington since the 2008 recession and election prevents policy solutions from gaining traction at the Federal level.

Over the years, legislative proposals introduced in Congress to expand retirement coverage have stalled. The Obama Administration has long supported a national proposal for a Universal Automatic IRA, but recognizing the lack of appetite for Congress to pass it, the President instead moved by Executive Order to create a more modest retirement savings vehicle called MyRA, which is a new starter plan to promote retirement savings, particularly for low- and moderate-wage earners.2

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Because of inaction at the national level, state legislators, responding to retirement insecurity among their own constituents, are increasingly enacting or considering proposals to potentially increase coverage for millions of their citizens. To that end, states are leading a movement, with the help of PRC and other national and state advocates, to develop ways for state retirement systems to either administer new savings plans for private sector workers, or to promote a variety of approaches for new retirement savings plans that could be enhanced by state involvement. It should be noted that these plans are distinct from any state’s own retirement systems that cover public employees. These new state-administered plans use the efficiencies of the state’s retirement system to offer innovative retirement savings plans for private sector workers whose employers do not offer them a plan. They are structured not to add to state budget deficits or add to liabilities of states’ pension systems. These are not substitutes for state defined benefit pension plans, which operate under a different legal authority and provide adequate and secure benefits to millions of state workers and retirees.

PRC’s experience in promoting new state-administered retirement savings plans for private sector workers grows directly out of the work it has done to promote coverage solutions nationally for the past 15 years. The progress and success reviewed here provide lessons for advocates and their philanthropic partners. The strategic decision to work at the state level is important, both because of relatively rapid policy diffusion from the early adopters of the idea to other states throughout the country, and because of the pressure that state-level progress places on the federal government to address this issue. PRC’s work also illuminates the capacities and tactics that a national policy advocacy organization, working in concert with other organizations, can use to bring about far-reaching change.

PRC’s involvement with a wide range of organizations that are promoting these approaches around the country – including unions, consumer advocates, retiree organizations and groups representing communities of color – is also an important source of lessons for funders and other advocates. PRC

*Working on the state plans is moving us closer to the possibility of a retirement income system that makes sense for everyone, and The Atlantic Philanthropies’ investment in this area has made this progress possible.*

Karen Ferguson, Director of the Pension Rights Center
is a small organization, and much of its success can be attributed to the long-term support provided by The Atlantic Philanthropies for core functions (such as strategic planning, development and communications). In fact, The Atlantic Philanthropies, as part of its first grant to Center, funded a strategic plan that created a blueprint for change that the Center has generally followed.

The organization benefits from the long history and reputation of its leaders: Karen Ferguson, the founding director; and Karen Friedman, its Executive Vice President. They have built a strong institution, with capable staff, expert consultants and a growing league of retired fellows. It is impossible to characterize the success of PRC without recognizing how the relationships that this organization has built over its 40 years of existence, and the reputation that PRC has in the field, contribute to the overall success of all that it has undertaken.

Funders support organizations, but really, we are investing in leaders. Karen Ferguson and Karen Friedman are leaders in whom we believe. Their dogged commitment and superior expertise and knowledge of the sector have consistently provided our board with confidence that we chose the right group to help advance this issue.

- Atlantic Philanthropies Senior Program Officer

While this case study focuses on the role PRC has been playing in helping to promote new state-administered retirement plans across the country, it is important to note that the Center has a broader policy and legal agenda. The Center has worked since its inception to close gaps in the federal private pension law and to expand rights for divorced spouses, widows and lower-income workers in all retirement systems; it has acted as a consumer watchdog to preserve key protections in the law and to strengthen regulations; and it has been a leader in the fight to expand coverage at the national level for the millions of private sector workers not now covered by employer-plans. This organization also has a program to provide hands-on help to individuals with retirement plan problems.

The interviews conducted for this review confirm that PRC is widely viewed as one of the key experts on retirement security by other advocates and lawmakers on Capitol Hill. Focusing this case on one aspect of their work should be understood in this larger context.
The Growing Retirement Income Crisis

There is a huge and growing retirement income crisis in America. Over many years, polls consistently show that Americans fear their lack of preparedness for retirement: one finding from a poll conducted in 2010 shows that more than 90% of baby boomers fear outliving their money more than death. A Gallop Poll conducted in 2014 found that a majority of Americans (59%) are more worried about having enough money in retirement than they are about any other financial matters.

Most recently, a poll conducted in March 2015 found that an overwhelming majority of Americans—86%—agree that the nation is facing a retirement crisis, and that 75% are concerned about their own ability to achieve a secure retirement.

And Americans have cause to worry. According to the Center for Retirement Research at Boston College, there is a $7.7 trillion Retirement Income Deficit, which is the gap between what people have saved and what they would have needed to have saved to maintain their standard of living in retirement. Stated another way, 53% of households with members between the ages of 32 and 64 are at risk of not having enough to maintain their living standards in retirement.

A combination of factors has caused this Retirement Income Deficit. First, half of all private sector workers—43 million—have no pensions or retirement savings to supplement the modest payments of Social Security—now averaging about $16,000 a year for the typical retiree. Coverage stagnation has been a stubborn and intractable fact for more than a quarter of a century.

Secondly, all too many employers who sponsor pension plans that provide lifetime, guaranteed income are freezing, terminating and otherwise cutting back on those plans, and replacing them with less secure defined contribution plans. This is a trend that has been unfolding over the past 30

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years: in 1980, 38% of private wage and salary workers participated in defined benefit pension plans, and by 2008 this percentage had dropped to 20%. In contrast, during the same time period, the percentage of private wage and salary workers participating only in defined contribution plans has grown dramatically, from 8% to 31%.\(^7\)

Defined contribution plans—such as the popular 401(k) plans—do not provide enough security in retirement for the vast majority of workers who have them. They require employees to contribute money, to have an understanding of how to invest their money (which is often a matter of luck more than skill), and to resist the temptation to take out the money before retirement age. Additionally, workers are on their own to figure out how to make the money last over their lifetime. Thus, for most people, 401(k) plans do not lead to the savings necessary to produce sufficient income in retirement in addition to Social Security.

According to the Federal Reserve Board’s Survey of Consumer Finances, half of all households that have 401(k)-type plans have less than $59,000 saved and even for those approaching retirement, the median account balance was just about $103,000 – not enough to make it through retirement.\(^8\)

The news is bad for most who have 401(k) savings, but it gets worse. Another study, by the National Institute on Retirement Security, found that, “the average working household has virtually no retirement savings. When all households are included – not just those with retirement accounts – the median retirement account balance is $2,500 for all working-age households and $14,500 for near–retirement households.”\(^9\)

Advocates, social service providers, academicians and governmental agencies are looking for solutions to this looming catastrophe. Congress is also looking for solutions; however, gridlock has led many to recognize that anything but incremental action at the Federal level should not be expected in the near future. As a result, a number of states are considering the problem and whether they are in a position to address it.


Chapter 2: PRC’s Significance in the Retirement Security Field

I think they just do great work. I look at them as a very strong partner to me, and I think they are very professional. We are not always on the same side on issues, but even when we are not on the same side, they are very professional and amazing to work with.

For the past four decades, PRC has been one of the major long-term players in the fight for retirement security. In a crowded field of larger organizations, one feature distinguishes PRC from its peer organizations in the field: it was one of the earliest and loudest voices to sound the alarm on problems that would befall the baby boomer and future generations with the demise of defined benefit plans, the rise of less secure 401(k) plans, and the lack of a clear retirement income policy for the country.

It is important to recognize what the Pension Rights Center does and does not do to understand its work in context. The Center, by its own design, is a small nonprofit consumer rights organization. According to its founder Karen Ferguson, “We are a small, flexible organization that identifies problems, gives voice to individuals in need, moves quickly to use our expertise to develop solutions, and then we rally larger partnering organizations to work with us to advocate for change. This has been our formula for success. We see our role as technical expert, catalyst and convener. It’s a formula that has worked for 40 years and we hope to continue for another 40, or at least until we have a retirement system in place that makes sense.”

PRC’s invaluable contribution to the retirement security movement was affirmed in interviews with advocates, legislative staffers, union leaders, scholars and others who all highlighted the unique strengths of PRC that have allowed it to take on thorny challenges with success. These observations are summarized the following pages.
PRC is a trusted advisor to senior decision-makers on Capitol Hill. A number of respondents explained that PRC is an important resource—and ally—for senior decision makers working on retirement security policy. An illustrative quote comes from a senior Senate Finance Committee staff member:

The pension world is a very complicated area, and sometimes it’s helpful to have people who can give us the real-world perspective on things. PRC is talking to real people who are unfortunately having issues with their pension plans. And so PRC can tell us, "We need a change – here’s a problem. Here’s a potential solution – work with us to get that solution done." And so since they are working with real people they bring a very helpful perspective to our work. So being a strong advocate for participants and retirees is their largest role, along with providing technical advice to the Hill.

PRC has deep expertise that is valuable to other experts in the field. As a senior executive at one of the largest organizations representing retirees reported, PRC’s expertise in arcane aspects of the retirement system makes it a go-to resource for larger (and perhaps better resourced) organizations in this arena and a valuable partner:

They bring a true focus on what’s good for workers. That is really, really important. A real knowledge, again, about things like ERISA so that when the legislators are thinking about how to do this, they can say where the green lights and the red lights are. So I think it is their knowledge, but also, their credibility comes from having worked with states on pension issues in the past, and having represented individuals who have been defrauded. That experience makes them a valuable partner in this work.

PRC is recognized for its unique ability to convene a broad, diverse and bi-partisan group to discuss retirement security solutions. PRC has successfully convened not only the expected stakeholders on retirement issues, but also unlikely participants, such as the community of businesses that offer pensions and related services. A long-time collaborator and leading consultant in the retirement security field noted:

Being a convener has enabled PRC to understand the perspectives and concerns of a variety of participants such as actuaries, labor unions, financial institutions and businesses, thereby greatly increasing their expertise. The convener role and the broad base of knowledge necessary to that role also helps them direct solutions, whether on a basis of common ground or a more progressive agenda.
**PRC is highly skilled at advocacy and legal strategy.** The leaders of PRC provide hands-on support to the states working to implement new solutions to the retirement crisis. This assistance has proven invaluable to the states—such as California and Connecticut—that have required effective strategies to move their plans forward. A scholar involved with the state-level movement for alternative retirement plans growing around the country observed:

_They are really good advocates for private pension policies and regulations that protect the bottom 90 percent. They are consistent, reliable advocates for the ordinary worker. And their focus is not on Social Security, which allows them to be an expert on the various laws impacting retirement security more broadly. They are very good at legal strategy._

**PRC has long-term relationships on Capitol Hill and is seen as a trusted advisor to elected officials and their staff.** A long-time Washington policy expert who has worked on the Hill in a variety of capacities over the past decade and is now a key Senate Finance Committee staff person reported that,

_PRC is probably the premier, or one of the premier advocacy groups on the participant side when it comes to pension and retirement plan issues. So if you're working on retirement plan issues, and we always need to get the participant retiree perspective, that's who you go to, the Pension Rights Center._

**PRC does a great job of messaging about retirement security issues.** Creating resonant messages about retirement security is an important component of successful advocacy, and PRC is known as one of the field’s leaders in this regard. One respondent with years of policy experience in Washington reported:

_As you can imagine, retirement policy is complicated, and there are just not a ton of people that focus on it on the Hill. So when you're talking to someone who doesn't really know a lot about the issue, it's important to talk in a way that people can understand and get your point across quickly and concisely, and I think the Pension Rights Center does a great job of that._

Interview respondents unequivocally reported that PRC is an invaluable resource to the retirement security field. As this profile will illustrate, PRC’s experience, expertise and relationships have been brought to bear on one of the most significant threats to economic security for elders. Everyone we interviewed agreed that the current progress on state-administered pension programs would not have been made without the leadership of PRC. The next sections of the profile will situate the
state-level work of PRC and its allies in context, explaining why PRC and many of its allies have chosen to work at both the state and federal levels to make progress in this area.
Chapter 3: How the Pension Rights Center’s Work to Expand Coverage Nationally Helped Lead to State Action

The Pension Rights Center has been at the forefront of the pension coverage expansion movement for decades. With the support of The Atlantic Philanthropies and other foundations, the Center has convened three game-changing national meetings that helped spur the development of retirement security solutions, including new state-administered approaches. A summary of those meetings is presented below.

From 2001-2007, the Center convened the Conversation on Coverage which was the nation’s first significant national dialogue aimed at increasing coverage for those not covered by employer-based plans. It brought together a diverse array of the leading experts on retirement policy. Among the Conversation’s key recommendations was a system of universal accounts that could be administered either at the federal or state level.

From 2009-2011, the Center brought together a host of progressive organizations – SEIU, AFL-CIO, and think tanks, among them – in a series of meetings that were used to develop principles and proposals to increase coverage. These proposals were then presented at a national conference of 250 experts. The principles developed at this meeting – including the need for adequacy, shared contributions, pooled investments and lifetime income – have been used by experts to evaluate proposals for retirement plan models in the states.

In late 2012, the Pension Rights Center teamed up with the Schwartz Center for Economic Policy Analysis at the New School for Social Research to host a forum in New York City on expanding pension plan coverage at the state level. Key legislators from six states – including California State Senator Kevin de Leon, who pioneered the blueprint for state-administered plans – were in attendance to discuss the efforts they were considering at the state level. PRC leveraged its relationships to bring in high-level officials from important organizations in this field, including AARP, AFL-CIO, AFSCME, SEIU, the Economic Opportunity Institute, and the National Council of La Raza. Many of the interview respondents confirmed that this was the catalytic meeting that inspired many national organizations to get on board with the state movement to expand private sector coverage.
It is important to note that soon after the final PRC national convening, California passed the California Secure Choice Savings Trust Act. This policy victory invigorated a movement that is being rapidly diffused through other states.

**Defining State Administered Retirement Plans**

The idea behind the proposed state-administered plans is simple. They are new retirement savings plans that use the economic efficiencies of a state’s own retirement system to offer a retirement savings vehicle to private sector employees not now covered by an employer plan.

The basic model advanced in California and emulated in other states – most notably in Illinois and Connecticut – would create a retirement savings plan that borrows elements from 401(K) plans and IRAs. A Trust Fund board appointed by the state, which would oversee how the contributions are invested, would administer the plans. As most of these plans are envisioned (although none yet are up and running), funds would be pooled and professionally invested to achieve economies of scale, which would result in lower fees for those participating and be much more cost-effective than IRAs sold on the private market. While these plans have limitations, and are relatively modest retirement savings plans, they create a model that can be expanded.

These new retirement savings plans can be viewed as state-based laboratories where a variety of models can be developed and tried out to see how they work. In this way, the states can be testing grounds for retirement savings models that could lead the way to comprehensive national reform. This model of policy diffusion from the state level to the federal level has played out recently in the move for health care reform and marriage equality, so it is a tested strategy that has the potential to be effective in the retirement arena as well.
PRC & Its Allies’ Role in Advancing State Administered Retirement Plans

As mentioned above, the Pension Rights Center brings decades of technical expertise and a national perspective to this debate. The Center works strategically with other organizations and state officials to bring in its expertise where it is most needed. In particular, the Center is ensuring that critical consumer protections are included in the legislation being drafted to implement and oversee these plans. In addition to thought leadership, the Center has made a number of unique contributions to these movements, which are described below.

PRC has provided legal and technical assistance to state legislatures as they developed and refined their plans, by developing a close working relationship with the key senator who authored the California bill, helping him to build support and develop relationships with critical allies. In another example, the testimony PRC provided before the Connecticut legislature on three occasions and its on-going technical assistance on the bill as it was being drafted were so critical to the bill’s success that the leaders of PRC were told by a union advocate, “we never could have passed the bill without you.” Other examples of particularly close relationships with PRC leaders and the lead sponsors of retirement bills come from Maryland and Illinois, where PRC worked with legislative staff and members to help move those bills forward.

PRC has provided information along with technical and messaging assistance to groups advocating for these plans, including the National Conference on Public Employee Retirement Systems, AFSCME Connecticut, SEIU, the National Council of La Raza, and organizations in Illinois and California (including the Woodstock Institute and other members of the asset-building community). The Center’s principles that were developed for Retirement USA have been used to evaluate proposals in many of these states.

PRC engaged top government officials from federal regulatory agencies on the issue. The Center has worked with key officials from the Department of Labor and the Department of the Treasury for clarification of federal law and for policy guidance on key issues. In fact, because of the advocacy of the Center and other organizations, the Administration issued guidance at the end of 2015 making it possible for many of these plans to move forward.
PRC wrote two policy briefs for AARP on consumer protections needed in these plan designs and also offered an analysis of the efficiencies of pooled and professional investments. These are posted on a section of AARP’s website devoted specifically to state-administered plans.10

PRC responded to business arguments to gain private sector support for state-based approaches to solving the retirement income crisis. In Connecticut, PRC mediated differences between business associations and labor unions to get the bill past opposition. Also, using the contacts PRC has developed over the years as a result of working on other initiatives, the Center worked to engage financial institutions and business groups to support state retirement platforms in other states. The key groups PRC met with include TIAA-CREF, The Association of Pension Professionals and Actuaries, and the American Council of Life Insurers.

PRC is a media source of up-to-date information on state plans. PRC maintains a factsheet on the state plans on its website11 that has been used by the media and the public to find updates on what is happening in the movement to advance state-administered plans. Additionally, PRC has been quoted about the movement to implement state-administered plans in twenty articles published in a variety of print outlets, including the San Jose Mercury News, the Los Angeles Times, USA Today, Consumers Digest, and Forbes magazine.

10 http://www.aarp.org/ppi/state-retirement-plans.html
11 This is the most up-to-date list of progress at the state level available. Retrieved from http://www.pensionrights.org/sites/default/files/docs/fact_sheet_-_state_based_retirement_plans_for_the_private_sector.pdf on August 11, 2015.
Chapter 4: Current Progress of the State Administered Retirement Plans

As of June 2015, progress on development and passage of state-administered plans has been steady, and according to some experts “remarkable.” Of the twenty-five states actively considering these plans, eleven—California, Connecticut, Illinois, Massachusetts, Maryland, Minnesota, Oregon, Vermont, Virginia, Utah, and Washington—have passed laws or resolutions to start action on state-administered plans. This means that these states are creating task forces as an important interim step toward developing tailored state-administered plans, studying the legal and financial implications of these plans, and/or waiting for federal guidance to implement these plans. There is cause for optimism that this movement will continue to gain steam during the next year.

Highlights of State Progress

In March 2012, Massachusetts became the first state in the country to develop a state-administered retirement plan for certain workers in the private sector who do not have access to another retirement plan through their employers. The plan allows small non-profit organizations to voluntarily participate in the state-sponsored plan. The plan has received a favorable ruling by the IRS, and the agency is now in the process of reviewing the group trust that will be created for the pooled assets of the plan. The Massachusetts Treasurer’s Office will administer the plan, and is expected to roll out the details once the IRS work is completed.


I think what’s happening in the states is probably the most exciting thing that’s happening in the country around expanding opportunities to have a secure retirement and to have access to save.

- Senior Executive From AARP
**California** set the stage for many states in 2012 by approving the California Secure Choice Retirement Savings Trust Act, which created a blueprint for the California Secure Choice Retirement Savings Investment Board. The Board is responsible for developing a market analysis and feasibility study (required by law) before the new savings plans can be established. The final reports are due in 2015. Upon completion of the reports, the Board will provide the results and its recommendations to the State Legislature. Legislative authorization is then required to implement the program. In addition to being important for the state, the California model, championed by state Senator Kevin de Leon, is being used as a blueprint for many other states taking on this work.

**Illinois** signed into law a Secure Choice Savings Program in January of 2015. This state plan establishes a payroll deduction IRA plan for workers whose employers do not offer alternative retirement savings plans. Unlike the other laws – which first require a study before a plan is implemented – the Illinois bill requires all employers who are covered by the legislation to automatically enroll their employees in the program, though workers can opt out or change their savings levels. The law is to be implemented within 24 months unless more funds are needed to establish the program. The Board also must find that the program is self-sustaining, that it is eligible for favorable federal tax treatment, and that it is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). Once this plan receives favorable federal guidance it will be ready to be implemented.
Chapter 5: Challenges and Moving Forward

The Pension Rights Center is part of a larger movement to engage states to begin to expand retirement coverage for private sector workers, and as reviewed above, this movement has enjoyed success in the very short period of time since the idea was conceived.

Despite the success, there are still challenges to address to ensure that the plans that have passed are implemented and institutionalized, and to advance proposals in other states. The most pressing challenges, and how PRC plans to address them, are presented below.

앤\\Addressing Legal Issues: Because states will be administering private sector plans, there is a perceived lack of clarity regarding the application of federal pension, labor and tax laws. To ensure that these plans can move forward, the Pension Rights Center, AARP and other allies have advocated for guidance from the Administration. In response to these requests, and at the behest of President Obama, the Department of Labor issued regulatory guidance that allows states to experiment with a range of retirement solutions that could help workers, particularly at the lower end of the wage scale, save for retirement. The DOL has requested comments and is likely to issue final regulations later in 2016.

앤\\Developing Consumer Protections: PRC will work to expand on the issue briefs the organization wrote for AARP identifying consumer protections in state administered plans. Drawing on its expertise, the Center will focus on writing policy briefs and fact sheets on fiduciary functions, women’s protections, disclosures and the need to develop claims and appeals processes in these plans. The Center will distribute these policy briefs through its coalition partners and to state legislators.

앤\\Developing new models that provide more adequacy and security than the original prototypes put forward in the early stages of this movement: The prevailing legislative model considered in states hinges upon enabling individuals to be automatically enrolled in a basic retirement vehicle structured as an Individual Retirement Account that would be administered by the state. However, because of legal
restrictions, these plans do not accept employer contributions and have other structural limitations. The Center will work with allies to develop and promote more comprehensive and adequate plans that will be presented to receptive state legislatures.

**Overcoming business opposition:** The business community has expressed two different points of view on these plans. One group, which includes the Chamber of Commerce and some members of the insurance industry, frequently argues that state plans would stifle competition for private vendors. However, financial institutions, like TIAA-CREF, recognize that these laws and proposals allow for all the services to be contracted to vendors, which is viewed as a business opportunity for the private sector. PRC will work with its allies to continue to build business support and neutralize the opposition that would prevent these plans from being adopted.

**Expanding coalitions:** The Pension Rights Center will be working in coalition with such organizations as AARP, SEIU, the National Council of La Raza, the National Conference on Public Employees Retirement Systems (NCPERS), the Pew Foundation, the Financial Security Initiative at the Aspen Institute, the Schwartz Center for Economic Analysis at the New School (SCEPA), the National Institute on Retirement Security (NIRS) and the Georgetown Center for Retirement Initiatives, as well as other national organizations and state-based grassroots groups, to start planning a strategy for continued passage of plans in other states. There is a need to assess which states have the likeliest chance of passing legislation and building a movement, along with developing information that can be used in education campaigns in those states. And, most importantly, PRC and its allies hope to leverage the momentum growing in the states to educate the public about the retirement security crisis—an important element of advancing a comprehensive solution nationally.

**Securing funding:** As in any endeavor, to continue this work, there is a need for additional funding by foundations to keep this effort going. There is a need for a formal coalition – with national and grassroots organizations – that strategically can move this effort forward.
Lessons Learned

1. Perhaps the most powerful lesson that the PRC case offers funders and other advocates is that it takes many years of groundwork to accomplish state-level policy wins. PRC and its allies began promoting the concept of state-administered retirement plans in the early 2000s. As part of PRC’s work to promote new retirement vehicles, advocates had conversations with lawmakers at the federal and state levels, iteratively. PRC leaders noted: “In order for any policy decision to move forward, it takes years of preparation: Years of education, years of grassroots organizing, years of media attention and years for an issue to bubble up to the forefront. In this case, the nation has awakened to the retirement income crisis and these state-administered plans are a response from legislators. It didn’t happen overnight.”

A number of elements of the successful state-administered retirement plan campaign reinforce the importance of a long-term commitment to change, patience and flexibility:

확률 At times of political stasis nationally, state leaders can play an important role in creating models for change. It was the leadership of Senator Kevin de Leon in California and Senator Daniel Biss in Illinois that helped make the Secure Choice models a reality, and now the idea is snowballing in other states. It is important to cultivate strong leaders in the states.

확률 Creating a diverse coalition, both on the national level and in states, is key to pushing change. Once California created the model Secure Choice legislation, it was organizations such as PRC, AARP, ASPPA, SCEPA, SEIU, and many groups working at the state level, that helped spread the idea to legislators in other states.

확률 Having a good story to tell makes a big difference. Senator de Leon helped get the California plan through by talking about his aunt and her inability to save for retirement. Ultimately, it is the stories of how these plans help lower- and moderate-wage earners save for retirement that help sell them.
Good research is key to making the case. Stories and messaging must be supplemented by academic studies showing the need in key states. Studies conducted by SCEPA, NIRS, Georgetown and others have measured the need to increase coverage in specific states, bolstering the advocacy of organizations and coalitions.

Employers and financial institutions must be brought in from the start. While some of the associations representing financial institutions and employers have opposed these state-based plans, individual employers and individual financial institutions have often been supportive. It is important to develop messaging on how these plans help citizens – and businesses thrive.

Obstacles must be identified at the outset of an advocacy effort. For example, although these plans were created in states, there was a perception from the beginning that they conflicted with federal law. It was important to advocate not just within states, but also with federal legislators and regulatory agencies for clarification. Ultimately it was the leadership of President Barack Obama who asked Secretary of Labor Tom Perez to issue guidance that is allowing these plans to move forward.

2. All policy wins are not created equal. In an attempt to get policy wins in the retirement security arena, advocates must not overlook the need to make sure that the retirement vehicles being developed are safe. PRC is working to make sure that workers’ contributions are protected. This will require that the retirement assets are collected and invested with the appropriate safeguards. In addition to working to promote expanded coverage, PRC is committed to making sure that appropriate consumer protections are in place before programs are implemented.

3. Advocates working on innovative retirement security solutions are well served by having an understanding of both state and federal policies and regulations, and a track record of working at both levels of government to promote reform. PRC was in a good position to help usher in state-administered retirement plans through the process because of its policy expertise at the federal level, its legal experience, and a strong connection to allied national groups and their statewide affiliates. It was able to advise certain states on how to craft
plans that would work within current federal guidelines, and to identify elements of the plans that required guidance from federal authorities. The state-administered Auto IRA plans that are moving forward are designed so they will not be subject to ERISA rules, which will make them easier to implement and administer without the risk of federal preemption.

4. Advocates often must accept incremental wins as steps toward their ultimate goal. The ultimate “win” for PRC and its allies is retirement security for all workers, which requires vehicles that allow for adequate savings. Adequacy will require employer, and possibly even government, matching. Yet, PRC and many of its allies take the position that the modest types of plans that have been put forward in many states can serve as an entry point for the advocacy that will eventually lead to their ultimate goal. While there is disagreement in the progressive community about whether to accept incremental wins, PRC has learned that this is an effective way to keep the momentum going in the right direction.

5. After a policy “win,” advocates must have the skills and resources to maintain vigilance in an oversight role. This is critical to ensure that laws and/or regulations are not watered down in response to political maneuvering or pressure. The watchdog role is as critical to long-term success as the policy reform role played by advocates. This role also allows advocates to look for ways to protect consumers by making sure that new policies are implemented as originally designed.

6. It is vital for funders to provide support for advocates to build state level coalitions. This is a time-consuming but essential step in the policy change process. Significant policy progress is not likely to occur without a strong, well-coordinated and diverse coalition in each state.
Conclusion

Each of the respondents interviewed for this case study reported that state level advocacy is critical as a first line of defense for solving America’s retirement security crisis. A senior executive from AARP explained that state leaders (comptrollers, treasurers, legislators and even governors) have come to understand that the lack of preparedness for retirement is going to be a crisis if something is not done, and done soon. This is often the result of the persuasiveness of state-level data provided by PRC and its partners. We heard that in most cases it is not a heavy lift to get state decision makers to understand just how critically important it is to resolve this issue once they have been presented with data on retirement insecurity for their state.

In fact, data is one key weapon in the movement to win support for state-administered plans. According to respondents, timely state-level data, effective messaging, and “[a] coalition... of people knocking on the doors and saying, ‘This is something that we want’” appear to be a winning formula for getting this issue on the radar of state level decision makers. And thus far, the work of the coalitions working on state plans has been impressive.

With the development of each new state proposal and campaign to support it, PRC’s partners and allies educate the public, the media and lawmakers about how important it is to develop coverage expansion solutions that both will make a real difference in people’s lives today as well as create state-wide experiments that could, over time, lead to a comprehensive model for a national solution to the retirement security crisis.

Since the launch of the very first national convening on this issue, PRC has been a leader and active participant in a national campaign that has resulted in the development of policy champions and private sector supporters for state-administered pension plans. As of June 2015 the progress has been considerable. Action has been taken in many states, and, most importantly, the awareness of the retirement income crisis facing the country has been heightened – creating both the impetus for other states to follow those in the vanguard and federal pressure to develop national comprehensive solution.
Despite the fact that the state plans under consideration are modest and do not yet propose to cover all private sector workers, they are an important movement building device as well as a key to providing needed retirement security for millions of Americans – particularly lower- and moderate-wage earners. In light of the political and economic landscape faced by PRC and its allies, this is quite an important accomplishment. The Center and its allies hope that this success will continue to attract attention from funders so that they are able to expand this movement to an ever-growing number of states in need of retirement solutions.
Interview Respondents

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John Adler
Former Director, Private Equity Capital Stewardship Program
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Michele Varnhagen
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Michael P. Kreps
Principal at Groom Law Group (specializes in issues relating to retirement and health policy, fiduciary responsibility, and pension plan funding and restructuring)
(Previously worked as Senior Pension and Retirement Counsel to the U. S. Senate Committee on Health, Education, Labor and Pensions under former U. S. Senator Thomas Harkin.

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