

# AMERICANS' VIEWS OF STATE-FACILITATED RETIREMENT PROGRAMS

By Dan Doonan and Kelly Kenneally



NATIONAL INSTITUTE ON Retirement Security

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# **ABOUT THE AUTHORS**

**Dan Doonan** is executive director of the National Institute on Retirement Security. With the Board of Directors, Doonan leads the organization's strategic planning, retirement research, and education initiatives. He has more than 20 years of experience working on retirement issues from different vantage points including an analyst, consultant, trainer, and retirement plan trustee. Previously, he was a senior pension specialist with the National Education Association. Doonan began his career at the Department of Labor as a mathematical statistician, and also spent seven years conducting actuarial analyses with Buck Consultants in the retirement practice. His experience also includes positions as a research director and labor economist. Doonan holds a B.S. in mathematics from Elizabethtown College and is a member of the National Academy of Social Insurance. He is a frequent speaker on retirement issues, including testimony before legislative bodies, and often is quoted in the news media.

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# ACKNOWLEDGEMENTS

The authors appreciate the work of Greenwald Research, a leading research firm with specialized expertise in the financial services and retirement industries, for their valuable contributions to this project. The polling was overseen by Doug Kincaid at Greenwald & Associates. Kincaid is managing director at Greenwald & Associates, specializing in retirement and financial services. His work focuses on retirement savings and retirement income studies for many of the nation's leading financial services companies and trade associations. He holds a B.A. in Sociology from the University of North Carolina and an M.A. in sociology from Indiana University. The authors also appreciate the efforts of Tyler Bond and Michele Yanicak.

### **EXECUTIVE SUMMARY**

For the past several decades, there have been dramatic changes to the U.S. retirement system, destabilizing retirement for large portions of the U.S. workforce. The cumulative result is that today, most Americans are not on track for a secure retirement, with about half of American households at risk of not having enough to maintain their living standards in retirement.

Employer-sponsored retirement plans are the main vehicle for workers to save for retirement, but this is part of the problem. U.S. employers are not required to offer any type of retirement savings plans. As a result, about half of the private-sector workforce does not have access to an employer-sponsored retirement savings plan.

Federal lawmakers have taken some steps to address the U.S. retirement crisis, but there remains an urgent need to fix the gaping hole of the tens of millions of Americans who lack access to a retirement plan at work.

The good news is that states are taking action to address the retirement challenges facing Americans by providing increased access to retirement plans. Since 2012, every state except Alabama has either enacted or introduced legislation that would establish state-facilitated retirement savings programs. These state-facilitated retirement programs offer a backstop for those working in jobs where employers do not offer retirement plans like a pension plan or 401(k) account. Against this backdrop, this issue brief examines national sentiment of Americans about state-facilitated retirement savings initiatives. This research finds:

- The vast majority of Americans (77 percent) agree that state-facilitated retirement savings programs are a good idea. There is high support across party and generational lines, with support highest among Millennials (79 percent).
- More than three-quarters of Americans (82 percent) say they would participate in state-facilitated retirement programs, up from 75 percent in 2020. The support is consistent across party and generational lines.
- Americans view many key features of state-facilitated retirement programs as highly favorable, especially that the programs would provide higher returns than other safe investments in today's market (87 percent) and have low fees (86 percent).

# INTRODUCTION

For the past several decades, there have been dramatic changes to the U.S. retirement system, destabilizing retirement for large portions of the U.S. workforce. Researchers and retirement experts have encouraged Americans to pursue the "three-legged stool" of retirement savings: Social Security; a defined benefit (DB) pension; and individual savings, typically through a defined contribution (DC) plan. With the shift away from pensions in the private sector, only a small percentage of older Americans, about seven percent, receive income from all three sources.<sup>1</sup>

Employer-sponsored retirement plans are the main vehicle for workers to save for retirement, but this is part of the problem. U.S. employers are not required to offer any type of retirement savings plans. According to the Georgetown University Center for Retirement Initiatives (CRI) about half of the private-sector workforce (57 million employees) does not have access to an employer-sponsored retirement savings plan.<sup>2</sup>

The cumulative result is that today, most Americans are not on track for a secure retirement. About half of American households are "at risk" of not having enough to maintain their living standards in retirement according to the Boston College Center for Retirement Research (CRR).<sup>3</sup> And with the proportion of Americans aged 65 and older continuing to grow, an inadequate retirement infrastructure will pose serious fiscal challenges for the nation.

In Washington, federal lawmakers have taken some steps to address the U.S. retirement crisis. Congress passed the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) in 2019, and the SECURE 2.0 Retirement Savings Act was signed into law in 2022. While these legislative changes are steps in the right direction, there remains an urgent need to fix the gaping hole of the tens of millions of Americans who lack access to a retirement plan at work.

The good news is that states are taking action to address the retirement challenges facing Americans by providing increased access to retirement plans. Since 2012, every state except Alabama has either enacted or introduced legislation that would establish state-facilitated retirement savings programs (Figure 1).

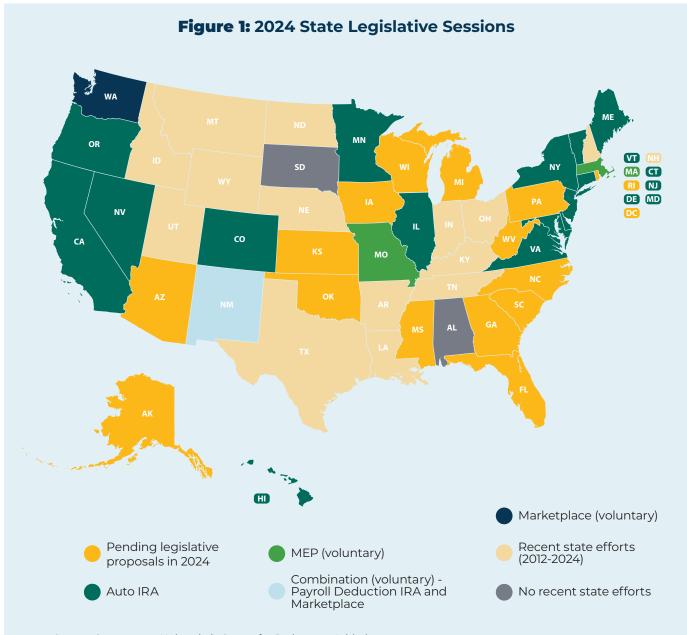
To date, 19 states have adopted state-facilitated retirement savings programs, and 16 of these require employers without a retirement plan to automatically enroll their workers into an individual retirement account. And as of February 2024, these state programs have grown substantially, amassing some \$1.34 billion in assets, more than 845,000 funded accounts, and 212,000 registered employers.<sup>4</sup>

These state-facilitated retirement programs offer a backstop for those working in jobs where employers do not offer retirement plans like a pension plan or 401(k) account. While each program is different, the most popular type of plan that states are enacting automatically enrolls workers in moderate risk, low-cost retirement savings accounts referred to as auto-IRAs. Broadly, the state-facilitated programs require private sector employers lacking retirement plans to provide their employees with access to retirement accounts through payroll deductions. While these programs are overseen and administered by the state, investments are managed by private companies. Workers in states that offer these plans can access these retirement savings accounts when they retire.

While state-facilitated programs can improve retirement savings via paycheck deduction within a system that offers economies of scale, the state-facilitated programs are not considered a replacement for workplace retirement plans. Employer-sponsored retirement plans have advantages that are not available to state-facilitated programs, including employer contributions. Ideally, the statefacilitated programs will nudge more employers to offer retirement plans to their employees.

Against this backdrop, this issue brief examines national sentiment of Americans about state-facilitated retirement savings initiatives. This research finds:

• The vast majority of Americans (77 percent) agree that state-facilitated retirement savings programs are a good idea. There is high support across party and generational lines, with support highest among Millennials (79 percent).

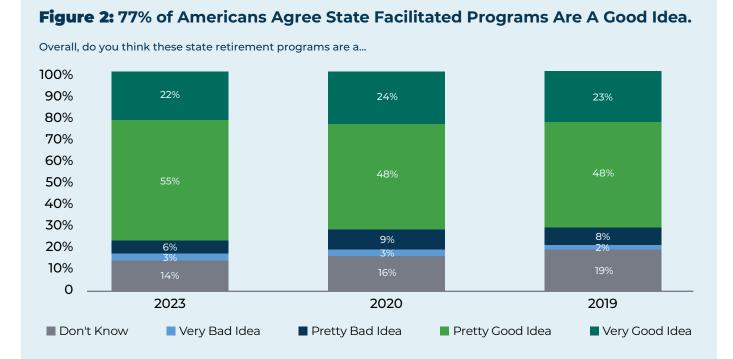


Source: Georgetown University's Center for Retirement Initiatives

- More than three-quarters of Americans (82 percent) say they would participate in state-facilitated retirement programs, up from 75 percent in 2020. The support is consistent across party and generational lines.
- Americans view many key features of state-facilitated retirement programs as highly favorable, especially that they would provide higher returns than other safe investments in today's market (87 percent) and have low fees (86 percent).

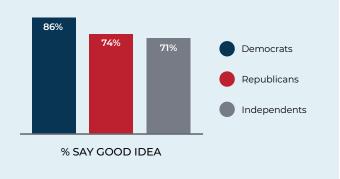
### I. AMERICANS SAY STATE-FACILITATED RETIREMENT PROGRAMS ARE A GOOD IDEA

More than three-fourths of Americans agree that statefacilitated retirement programs are a good idea (**Figure 2**). At a time when the nation faces deep political division on a broad range of issues, support for state-facilitated programs holds strong across party lines (**Figure 3**). Moreover, the support is strong across generational lines, with Millennials the most supportive of these new state retirement programs (**Figure 4**).



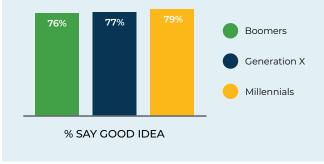
#### **Figure 3:** Across Party Lines, American Agree That State-Facilitated Retirement Programs Are A Good Idea.

Overall, do you think these state retirement programs are a...



#### **Figure 4:** Across Generations, Americans Agree That State-Facilitated Retirement Programs Are A Good Idea.

Overall, do you think these state retirement programs are a...

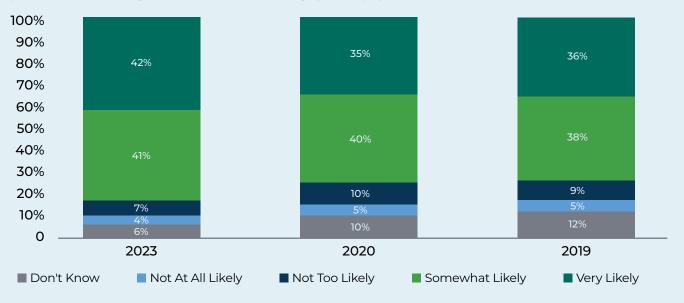


### II. MOST AMERICANS WOULD PARTICIPATE IN STATE-FACILITATED RETIREMENT PROGRAMS

Most Americans say that new state-facilitated programs are a good idea and they likely would participate in the plans if offered (**Figure 5**). Most respondents (82 percent) indicate interest in participating, with interest consistent across both party (Figure 6) and generational lines (Figure 7).

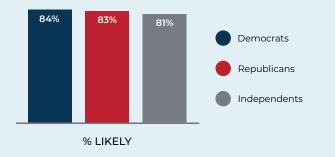
# **Figure 5:** The Vast Majority of Americans Increasingly Say They Would Participate in the State-Facilitated Retirement Programs.

Overall, based on the previous description, how likely do you think you (would be/would have been) to consider participation in this program if it were available through your employer?



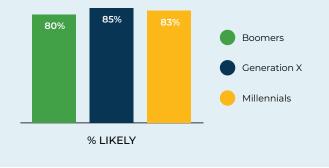
#### **Figure 6:** Across Party Lines, Most Americans Would Participate In State-Facilitated Retirement Programs.

Overall, based on the previous description, how likely do you think you (would be/would have been) to consider participation in this program if it were available through your employer?



#### **Figure 7:** Across Generations, Most Americans Would Participate In State-Facilitated Retirement Programs.

Overall, based on the previous description, how likely do you think you (would be/would have been) to consider participation in this program if it were available through your employer?



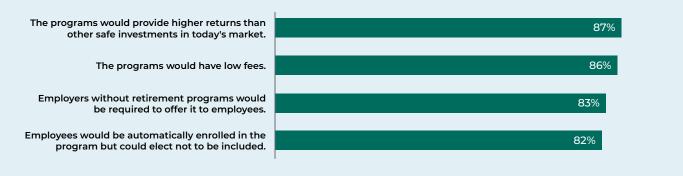
When asked about participation in state-facilitated programs, support is highest among Generation X (85 percent), the generation that is fast approaching retirement and will be the first generation to retire largely without a pension plan. Millennials are close behind at 83 percent.

### III. AMERICANS ARE HIGHLY FAVORABLE ABOUT MANY KEY FEATURES OF STATE-FACILITATED RETIREMENT PROGRAMS

Each of the state-facilitated retirement programs that are up and running or in progress have features that help strengthen retirement security including low fees, higher returns than a bank savings account, portability from job to job, and automatic enrollment. Across the board, Americans have favorable views of the features that are included in most state-facilitated retirement programs, especially that programs would provide higher returns than other safe investments in today's market (87 percent) and have low fees (86 percent).

#### **Figure 8:** The Vast Majority of Americans Find Appealing Key Features of State-Facilitated Retirement Programs.

How appealing are each of the following aspects of this new type of retirement program?



# CONCLUSION

The retirement savings shortfall is no longer a looming crisis. It is here. Far too many Americans are not on track to maintain their standard of living in retirement. The retirement savings shortfall can be attributed to many factors, including the move away from pensions in the private sector and decades of stagnant wages. But a major cause is the lack of access to employer-sponsored retirement plans. States have stepped up in recent years to address this crisis by establishing statefacilitated retirement savings programs.

This research offers an assessment of Americans' views about these new state-facilitated retirement programs and finds:

- The vast majority of Americans (77 percent) agree that state-facilitated retirement savings programs are a good idea. There is high support across party and generational lines, with support highest among Millennials (79 percent).
- Most Americans (82 percent) say they would participate in state-facilitated retirement programs, up from 75 percent in 2020. The support is consistent across party and generational lines.

• Americans view many key features of state-facilitated retirement programs as highly favorable, especially that they would provide higher returns than other safe investments in today's market (87 percent) and have low fees (86 percent).

As more states establish these savings programs and existing programs grow, it will be important to watch for additional innovations. Already, states are joining together in multi-state compacts to offer these programs at scale to citizens. It also will be worthwhile to monitor if these state programs spur growth in 401(k) plan offerings, especially given the SECURE 2.0 provisions that make it easier for small businesses to offer retirement plans. Indeed, these state-facilitated retirement programs, coupled with action in Washington, D.C., are steps in the right direction for addressing the retirement savings shortfall facing most working Americans.

### METHODOLOGY

Conducted by Greenwald Research, information for this study was collected from online interviews between October 10-25, 2023. A total of 1208 individuals aged 25 and older completed the survey. The final data were weighted by age, gender, and income to reflect the demographics of Americans aged 25 and older. The sample was selected using Dynata, an online sample provider. Tabulations in some of the charts may not add up to 100, due to rounding.

# **ENDNOTES**

- 1. T. Bond and F. Porrell, 2020, "Examining the Nest Egg," The National Institute on Retirement Security, Washington, D.C. <u>https://www.nirsonline.org/wpcontent/uploads/2020/01/Examining-the-Nest-Egg-Final-1.pdf</u>
- 2. A. Antonelli (2020). "What are the Potential Benefits of Universal Access to Retirement Savings?," Georgetown University Center for Retirement Initiatives with Econsult Solutions, Inc. <u>https://cri.georgetown.edu/</u> <u>what-are-the-potential-benefits-of-universal-access-</u> <u>to-retirement-savings/</u>
- 3. Y. Yin, A. Chen, and A. Munnell, 2023 (May), The National Retirement Risk Index: Version 2.0, Boston College Center for Retirement Research, Chestnut Hill, MA. <u>https://crr.bc.edu/the-national-retirement-riskindex-version-2-0</u>
- Georgetown University Center for Retirement Initiatives estimates from state program data publicly available or provided by a state to the CRI; view current year program data at <u>https://cri.georgetown.</u> <u>edu/states/state-data/current-year/</u>.

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The National Institute on Retirement Security is a nonprofit research and education organization established to contribute to informed policymaking by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole.

#### **Our Vision**

Through our activities, NIRS seeks to encourage the development of public policies that enhance retirement security in America. Our vision is one of a retirement system that simultaneously meets the needs of employers, employees, and the public interest. That is, one where:

- employers can offer affordable, high quality retirement benefits that help them achieve their human resources goals;
- employees can count on a secure source of retirement income that enables them to maintain a decent living standard after a lifetime of work; and
- the public interest is well-served by retirement systems that are managed in ways that promote fiscal responsibility, economic growth, and responsible stewardship of retirement assets.

#### **Our Approach**

- High-quality research that informs the public debate on retirement policy. The research program focuses on the role and value of defined benefit pension plans for employers, employees, and the public at large. We also conduct research on policy approaches and other innovative strategies to expand broad based retirement security.
- Education programs that disseminate our research findings broadly. NIRS disseminates its research findings to the public, policy makers, and the media by distributing reports, conducting briefings, and participating in conferences and other public forums.
- Outreach to partners and key stakeholders. By building partnerships with other experts in the field of retirement research and with stakeholders that support retirement security, we leverage the impact of our research and education efforts. Our outreach activities also improve the capacity of government agencies, non-profits, the private sector, and others working to promote and expand retirement security.

The National Institute on Retirement Security is a non-profit, non-partisan organization established to contribute to informed policy making by fostering a deep understanding of the value of retirement security to employees, employers, and the economy as a whole. NIRS works to fulfill this mission through research, education and outreach programs that are national in scope.



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