

Green Mountain Secure Retirement Plan Highlights

Act 69 of the 2017 Legislative Session (S.135, Section C.1.)

- **Sec. C.1. of Act 69** (*signed by the Governor on 6/8/17*) contains the enabling language for the “**Green Mountain Secure Retirement Plan**” (see the links in the footnote for the bill as enacted and a timeline of the bill’s discussion in the Legislature)¹
- The bill was drafted based on recommendations included in the Public Retirement Study Committee Legislative report submitted in January 2017, the letter for this report is attached, and the full report is linked here: [2016 Report](#).
- The Public Retirement Study Committee report submitted in January is a part of a 3-year study that the Retirement Committee has been working on since the fall of 2014 (It is the third report to have been submitted by the Committee)

Green Mountain Secure Retirement Plan key information:

- The State intends to implement a voluntary Multiple Employer Plan (MEP) no later than January 15, 2019
- The plan will be voluntary for employers
- Once an employer opts-in, employees are auto-enrolled with the option to opt-out
- The plan is intended to be available to employers that do not currently offer a retirement plan to their employees
- The plan is intended to be available to self-employed individuals
- Employers with 50 employees or less are eligible
- The plan will be funded by employee contributions with an intention for future voluntary employer contributions
- A successor board shall oversee the plan

¹ Act 69, Language as Enacted starts on page 24:

<http://legislature.vermont.gov/assets/Documents/2018/Docs/ACTS/ACT069/ACT069%20As%20Enacted.pdf>

Timeline of the bill’s discussion in the Legislature: <http://legislature.vermont.gov/bill/status/2018/S.135>

Guiding Principles of the Green Mountain Secure Retirement Plan:

- A. **Simplicity**—a plan should be easy for participants to understand
- B. **Affordable**—a plan should be administered to maximize cost-effectiveness and efficiency
- C. **Ease of Access**—the plan should be easy to join
- D. **Trustworthy Oversight**—the plan should be administered by an organization with unimpeachable credentials
- E. **Protection from Exploitation**—the plan should protect its participants, particularly the elderly, from unscrupulous business practices or individuals
- F. **Portability**—the plan should not depend upon employment with a specific firm or organization
- G. **Choice**—the plan should provide sufficient investment alternatives to be suitable for individuals with distinct goals, but not too many options to induce “analysis paralysis”
- H. **Voluntary**—the plan should not be mandatory; however, auto-enrollment may increase participation
- I. **Financial Education and Financial Literacy**—the plan should assist the individual in understanding their financial situation
- J. **Sufficient Savings**—encourage adequate savings in retirement combined with existing pension savings and social security
- K. **Additive not Duplicative**—the plan should not compete with existing private sector solutions
- L. **Able to use pre-tax dollars**



STATE OF VERMONT
OFFICE OF THE STATE TREASURER

To: General Assembly

From: Beth Pearce, State Treasurer

Date: January 6, 2017

Re: Interim Study of the Feasibility of Establishing a Public Retirement Plan Required by Act 157 of the 2016 Legislative Session

This report reviews findings and recommendations pursuant to Act 157 of the 2016 Legislative Session.¹ The State Treasurer, the Commissioner of the Department of Labor, the Commissioner of the Department of Disabilities, Aging & Independent Living, two appointees from the Committee on Committees, two appointees from the Speaker of the House, and one appointee by the State Treasurer formed the Public Retirement Study Committee (the Committee) to evaluate the feasibility of establishing a public retirement plan in Vermont.

The Committee has an overarching goal of increasing retirement security for all Vermonters.

The Committee recommends implementation of a “Voluntary open multiple employer plan (MEP)” supplemented by an open retirement marketplace for employees not covered by the “Voluntary open multiple employer plan (MEP)” or other existing retirement options. The Committee also recommends a three-year check-in (after the start-date of the program) where an analysis of participation and potential strategies to increase participation would take place.

Please note that the attached report, the “[Review of Potential Public Retirement Plan Options for Private Sector Employees/Employers in the State of Vermont](#),” (CRI Report)² was drafted for the purposes of the Public Retirement Study Committee by the Center for Retirement Initiatives (CRI) at Georgetown University and was authored by Angela M. Antonelli, Executive Director, and CRI’s legal subject matter expert for this project, David Morse, Partner at K&L Gates. This report serves as a manual and guide to assist the Committee and the State in understanding the different options available.

¹ Please note that Act 58 of 2015 amended Act 179 of 2014 and that Act 157 of 2016 amended both of those prior Acts, <http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/misc/ACT157%20As%20Enacted.pdf>

² The Center for Retirement Initiatives (CRI), McCourt School of Public Policy, Georgetown University: “Review of Potential Public Retirement Plan Options for Private Sector Employees/Employers in the State of Vermont”, (CRI Report) Available on CRI Webpage: http://cri.georgetown.edu/wp-content/uploads/2017/01/GeorgetownCRI_VermontPRSCReport.pdf

Prior Work of the Committee

During 2014 and 2015 the Committee met on six occasions and collected resources regarding retirement security from a variety of sources including the Center for Retirement Initiatives (CRI) at McCourt School of Public Policy of Georgetown University, AARP, Vermont Main Street Alliance, Vermont Businesses for Social Responsibility (VBSR), Central Vermont Chamber of Commerce, American Council for Life Insurers (ACLI), National Institute on Retirement Security (NIRS), Vermont Bankers Association (VBA), Vermont State Employees' Association (VSEA), VSEA Retirees-Chapter, Vermont-National Education Association (VT-NEA), Assets & Opportunity Scorecard, Vermont Business owners, the U.S. Department of Labor (DOL), and other stakeholders.

For a detailed state-by-state comparison matrix of states that have enacted legislation, please see the attached Georgetown CRI matrix and presentation (linked online here: <http://cri.georgetown.edu/state-briefs/>).³

Existing Retirement Security Challenge

For a comprehensive summary of the retirement security challenge nationally and in Vermont please see section I of the attached CRI report.⁴

The Committee reviewed data from a variety of sources⁵ and found that retirement savings for members of the public in Vermont are insufficient and that serious contemplation of a solution or measures to combat the problem of retirement security need to be taken.

An AARP study found that “about 45 percent of Vermont’s private sector employees—roughly 104,000—work for an employer that does not offer a retirement plan. Significant numbers of workers at all levels of earnings and education do not have the ability to use payroll deductions to save for retirement.”⁶

The U.S. Department of Labor (DOL) found that nationally: “approximately 68 million US employees do not have access to a retirement savings plan through their employers.”⁷

It was identified that some barriers do exist for Vermont businesses, especially small businesses, in providing retirement plans to their employees. It was noted that some small businesses often do not have the time or capacity to provide retirement plans or guidance to their employees, of which some are part-time. It was also noted to the Committee that existing plans are available to individuals who do not have access to a plan through their employment.⁸ Further it was noted to the Committee that many Vermont businesses do offer plans to their employees.

³ Georgetown University, McCourt School of Public Policy, Center for Retirement Initiatives, *Comparison of Retirement Plan Design Features, By State: California, Illinois, Massachusetts, Oregon, and Washington*. <http://cri.georgetown.edu/state-briefs/>

⁴ CRI Report, http://cri.georgetown.edu/wp-content/uploads/2017/01/GeorgetownCRI_VermontPRSCReport.pdf

⁵ For full list of resources please see the resources page of this report.

⁶ AARP, *Factsheet: Vermont, August 2015*. <http://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-vermont-fact-sheet.pdf>

⁷ U.S. Department of Labor, *Fact Sheet: State Savings Programs for Non-Governmental Employees*, November 16, 2015. <http://www.dol.gov/ebsa/newsroom/fsstatesavingsprogramsfornongovernmentalemployees.html>

⁸ The American Council of Life Insurers, *State Initiatives Regarding Retirement Plans for Private Sector Workers*, <http://www.vermonttreasurer.gov/retirement/Public-Retirement-Study-Committee>

The Committee noted that the increase of individuals who are retirement age and who have inadequate or no retirement plan would force states to dedicate higher percentages of their state budgets to social services. Moreover, with higher percentages of seniors with inadequate retirement savings, states will have smaller tax bases from which to draw to pay for services.⁹

The Committee reviewed a study that focused on retirement savings in Utah. That study, done by Notalys LLC, “shows that modest increases in net worth among those who save the least for retirement would greatly improve retirement readiness and reduce government expenditures on public assistance programs.”¹⁰ Further, the “research show[ed] dramatic reduction in government outlays with a minimal increase in a worker’s savings: Increasing net worth among the bottom one-third of retirees by just 10 percent over the worker’s career would decrease government outlays by more than \$194 million over the next 15 years.”¹¹

The Committee agreed that reliable and adequate income in retirement is not just good for the individual, but also has a positive impact on economic development. In 2012, the National Institute on Retirement Security (NIRS) published an economic analysis study on pension benefit expenditures. The study analyzed the impact of the millions of dollars in pension checks that are spent by retirees within their local community and state. Based on fiscal year 2009 data for Vermont, researchers determined that the \$206.1 million in pension benefits paid to 13,935 retirees and their beneficiaries accounted for \$299.8 million in total economic output. The study calculated that pension expenditures supported some 2,459 jobs in Vermont that paid \$96.2 million in income. These expenditures also supported some \$61.2 million in tax revenue at the local, state and federal levels.¹²

⁹ GovBeat, The Washington Post, Sept. 12, 2013, *The Northeast is getting older, and it’s going to cost them*. <https://www.washingtonpost.com/blogs/govbeat/wp/2013/09/12/the-northeast-is-getting-older-and-its-going-to-cost-them/>

¹⁰ AARP Utah Commissions Study on Cost of Retiring Poor in the State, <http://states.aarp.org/aarp-utah-commissions-study-on-cost-of-retiring-poor-in-the-state/>

¹¹ AARP Utah Commissions Study on Cost of Retiring Poor in the State, “<http://states.aarp.org/aarp-utah-commissions-study-on-cost-of-retiring-poor-in-the-state/>”

¹² <http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireState/newsletters/Web%20VSERS%20July%202012.pdf>

Guiding Principles

The Committee adopted the following guiding principles in 2014 and 2015 and agreed that these principles would provide a framework for a potential plan in Vermont:

- a. Simplicity—a plan should be easy for participants to understand
- b. Affordable—a plan should be administered to maximize cost-effectiveness and efficiency
- c. Ease of Access—the plan should be easy to join
- d. Trustworthy Oversight—the plan should be administered by an organization with unimpeachable credentials
- e. Protection from Exploitation—the plan should protect its participants, particularly the elderly, from unscrupulous business practices or individuals
- f. Portability—the plan should not depend upon employment with a specific firm or organization
- g. Choice—the plan should provide sufficient investment alternatives to be suitable for individuals with distinct goals, but not too many options to induce “analysis paralysis”
- h. Voluntary—the plan should not be mandatory; however, auto-enrollment may increase participation
- i. Financial Education and Financial Literacy—the plan should assist the individual in understanding their financial situation
- j. Sufficient Savings—encourage adequate savings in retirement combined with existing pension savings and social security
- k. Additive not Duplicative—the plan should not compete with existing private sector solutions
- l. Able to use pre-tax dollars

2016 Committee Work and Legislative Recommendations

During 2016, the Committee met on eight occasions. Based on a legislative change¹³, an additional member was added to the Committee to be appointed by the State Treasurer. The Treasurer appointed Lindsay DesLauriers, Director of Main Street Alliance of Vermont to that opening.

Recommendations:

The Committee recommends to the General Assembly that a “Voluntary open multiple employer plan (MEP)” model be adopted¹⁴, supplemented by a marketplace for those employees for employees not covered by the “Voluntary open multiple employer plan (MEP)” or other existing retirement options. The Committee would be pleased to work with the General Assembly to develop appropriate language to pursue such a model.

¹³ Act 157, <http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/misc/ACT157%20As%20Enacted.pdf>

¹⁴ For a full description of the MEP please see the CRI report (pages 26-27), http://cri.georgetown.edu/wp-content/uploads/2017/01/GeorgetownCRI_VermontPRSCReport.pdf

With concurrence of the General Assembly, the Office of the State Treasurer and the Public Retirement Study Committee will work to implement this model. The Treasurer's Office believes the attached report¹⁵, authored by the Center for Retirement Initiatives at Georgetown University provides a framework on which the MEP and marketplace model can be developed.

Proposed Program Model and Essential Elements:

1. Employers with 50 employees or less would be eligible;
2. Employers who already offer an employer-sponsored retirement plan would not be eligible (as of the effective date or start date of a potential program);
3. The program would be voluntary;
4. If the employer opts into the program, auto-enrollment of employees will occur, but employees will have an opt-out option;
5. The Committee recommends beginning with employee contributions but would consider options for voluntary employer contributions, taking into consideration the impact on implementation and plan complexity;
6. The MEP would require a sponsor and enabling legislation that should require the creation of an oversight board¹⁶, however the current "Public Retirement Study Committee" would continue its work by providing the implementation plan and give way to a successor board, should the program go forward; the board (using preliminary data provided by the Committee) would then set program terms, prepare and design plan documents, and be authorized to appoint an administrator to assist in the selection of investments, managers, custodians, and other support services;
7. As contemplated, it is expected that fees would support the program, beyond any de minimis ministerial support provided by the Treasurer's Office and would be paid by program participants. Until sufficient assets have been accumulated, program costs will exceed revenues during the startup phase. The Treasurer's Office will pursue options to have financial service providers subsidize the startup cost in exchange for a longer-term contract, essentially loaning its own capital to the program;¹⁷
8. If the Committee determines that additional financial support is necessary for start-up and/or ongoing costs, the Treasurer's Office shall inform the General Assembly prior to any decision on implementation. Further, no plan documents or obligations will be entered into until such time as it is determined that the program (and implementation of

¹⁵ CRI Report, http://cri.georgetown.edu/wp-content/uploads/2017/01/GeorgetownCRI_VermontPRSCReport.pdf

¹⁶ CRI Report: *Plan Design Features: Delegate to Board*, http://cri.georgetown.edu/wp-content/uploads/2017/01/GeorgetownCRI_VermontPRSCReport.pdf

¹⁷ CRI Report: *Program Management, Participation, and Financial Feasibility*, http://cri.georgetown.edu/wp-content/uploads/2017/01/GeorgetownCRI_VermontPRSCReport.pdf

the program) will not create financial obligations to the State or that the General Assembly has considered such costs and appropriated sufficient dollars;

9. For employees of employers who do not adopt the MEP (or who do not already have access to an employer-sponsored plan), a range of retirement options including myRAs, 401(k) style-plans, Simple IRAs and other vetted products deemed sufficient by the “successor” board would be provided through a marketplace.

The Committee also recommends that, if after 3 years from the start of the “Voluntary open multiple employer plan (MEP)”, there is not a significant/sufficient increase in the number of Vermonters who are covered by a retirement plan, that methods to increase participation be further explored and analyzed.

The Committee also noted that while all members unanimously voted to adopt this model, some members felt that a third tier, using an auto-IRA model with mandatory employer participation, was needed when the prior two options were not adopted by the employer. A description of that configuration is included as an addendum to the report.

Next Steps:

The Committee will continue to map out implementation pursuant to any directive of the General Assembly and work to answer key questions. The Committee will submit an update to the implementation plan in 2018.

1. Public Retirement Study Committee continue its work until 2018 sunset;
2. Creation of the Plan Design (Employee and Employer Contribution limits, withdrawal policies, tax and other incentives, default contribution rate policy, auto-enrollment/auto-escalation);
3. Create legislative recommendation;
4. Recommend make-up of the board (upon completion of the work of the Public Retirement Study Committee);
5. Outline implementation steps;
6. Give way to successor board.

The State Treasurer would like to thank the efforts of the members of the Public Retirement Study Committee for their work:

- Monica Hutt, Commissioner, Vermont Department of Disabilities, Aging and Independent Living
- Annie Noonan, Commissioner, Vermont Department of Labor
- Dan Boardman, Owner, Hickok & Boardman Retirement Solutions—Appointed by the Speaker

PUBLIC RETIREMENT STUDY COMMITTEE
JANUARY 6, 2017

- Russ Bennett, founder and owner of NorthLand Visual Design & Construction Inc.—Appointed by the Speaker
- Rebecca Towne, Vermont Gas—Appointed by the Committee on Committees
- Bob Hooper, Trustee and Board Member at Vermont Pension Investment Committee—Appointed by the Committee on Committees
- Lindsay DesLauriers, State Director of Mainstreet Alliance of Vermont—Appointed by the State Treasurer

The State Treasurer would also like to thank the efforts of Angela M. Antonelli, Executive Director, at the Center for Retirement Initiatives, at Georgetown University and her project team, including David Morse, Partner at K&L Gates for their work in drafting the “Review of Potential Public Retirement Plan Options for Private Sector Employees/Employers in the State of Vermont.”

Resources

The Center for Retirement Initiatives (CRI), McCourt School of Public Policy, Georgetown University: “Review of Potential Public Retirement Plan Options for Private Sector Employees/Employers in the State of Vermont”, Available on CRI Webpage:

- http://cri.georgetown.edu/wp-content/uploads/2017/01/GeorgetownCRI_VermontPRSCReport.pdf
- <http://cri.georgetown.edu/>

The Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University: Comparison of Retirement Plan Design Features, By State: California, Illinois, Massachusetts, Oregon, and Washington. <http://cri.georgetown.edu/state-briefs/>

The Center for Retirement Initiatives, McCourt School of Public Policy, Georgetown University: State Level Data and Rankings: <http://cri.georgetown.edu/states/state-level-data-rankings/>

National Institute on Retirement Security, Financial Security for Future Retirees: Vermont Scores 5 out of 10. http://www.nirsonline.org/storage/nirs/documents/Factsheets/VT_FSS.pdf (attached)

AARP, Factsheet: Vermont, August 2015. <http://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-vermont-fact-sheet.pdf>

The American Council of Life Insurers:

- ACLI: [Statement for the Record, U.S. Senate, Health, Education, Labor and Pensions Committee](#)
- ACLI: [Role of Life Insurers](#)

Assets & Opportunity Scorecard, State Profile: Vermont.

<http://scorecard.assetsandopportunity.org/latest/report/state-profile> (available online)

U.S. Department of Labor, Fact Sheet: State Savings Programs for Non-Governmental Employees, November 16, 2015.

<http://www.dol.gov/ebsa/newsroom/fsstatesavingsprogramsforongovernmentemployees.html> (attached)

Information concerning U.S. Department of Labor Rules:

- <http://cri.georgetown.edu/news/dol-releases-regulation-and-guidance-for-state-administered-retirement-plans/>
- <http://www.dol.gov/ebsa/newsroom/fsstatesavingsprogramsforongovernmentemployees.html>
- <https://www.gpo.gov/fdsys/pkg/FR-2015-11-18/html/2015-29427.htm>
- <https://www.gpo.gov/fdsys/pkg/FR-2015-11-18/html/2015-29426.htm>

U.S. Census Bureau, 2014 SUSB Annual Data Tables by Establishment Industry, <http://www.census.gov/data/tables/2014/econ/susb/2014-susb-annual.html>

The Pew Charitable Trusts, Employer-based Retirement Plan Access and Participation across the 50 States, <http://www.pewtrusts.org/en/multimedia/data-visualizations/2016/employer-based-retirement-plan-access-and-participation-across-the-50-states>

Employee Benefit Research Institute, Employment-Based Retirement Plan Participation: Geographic Differences and Trends, 2013, https://www.ebri.org/pdf/EBRI_IB_405_Oct14.RetPart.pdf

Bureau of Labor Statistics, Employee Benefits Survey, https://www.bls.gov/ncs/ebs/benefits/2016/benefits_retirement.htm



GREEN MOUNTAIN SECURE RETIREMENT PLAN: DRAFT IMPLEMENTATION TIMELINE (2017 – 2020)

November 2017:

- Public Retirement Study Committee (PRSC) meeting to review timeline of Secure Retirement program rollout and to review materials from Oregon's program (**November 21, 2017**)
- Discussion with outside groups with expertise regarding technical assistance that can be provided at little or no cost
- Outline scope of services for RFP consultant
- Treasury staff prepare simplified bid RFP for RFP consultant

December 2017:

- Begin process of reaching out to invite press to public hearings in January
- Issue simplified bid for RFP consultant
- Review bids, select vendor, and develop contract for RFP consultant

January 2018:

- Continue outreach for public hearings
- PRSC presents findings and update on the Secure Retirement plan to General Assembly (**January 15, 2018**)
- PRSC sunsets (**January 15, 2018**)
- Public hearing in Montpelier to obtain feedback and input from stakeholders on plan (**January 22, 2018**)
- Public hearing in Rutland to obtain feedback and input from stakeholders (**January 29, 2018**)
- Develop draft RFP with RFP consultant

February 2018:

- Issue RFP with assistance from RFP advisor
- Finalize the RFP and release for bidding process
- All seven appointments to Green Mountain Secure Retirement Board must be finalized and first meeting held (no date specified)

March 2018:

- RFP response due (end of month)
- GMSRB/Treasury discussion & decision regarding vendor selection



GREEN MOUNTAIN SECURE RETIREMENT PLAN: DRAFT IMPLEMENTATION TIMELINE (2017 – 2020)

April 2018:

- GMSRB/Treasury discussion & decision regarding vendor selection

May 2018:

- Contract negotiation and other items to be completed prior to signed contract

June 2018:

- Contract must be finalized and signed with vendor (**June 15, 2018**)
- In cooperation with vendor line up implementation, outreach, marketing, and press for fall launch

July 2018:

- Continue preparation for launch
- Approve and finalize Adoption Agreement and Plan documents

August 2018:

- Continue outreach/financial education
- Any additional steps needed to implementation

September 2018:

- Continue outreach/financial education
- Any additional steps needed to implementation

October 2018:

- Continue outreach/financial education
- Any additional steps needed to implementation

November 2018:

- Continue outreach/financial education
- Any additional steps needed to implementation

December 2018:

- Goal for launch of the program (**December 15, 2018**)
- Continue outreach/financial education
- Any additional steps needed to implementation



GREEN MOUNTAIN SECURE RETIREMENT PLAN: DRAFT IMPLEMENTATION TIMELINE (2017 – 2020)

January 2019:

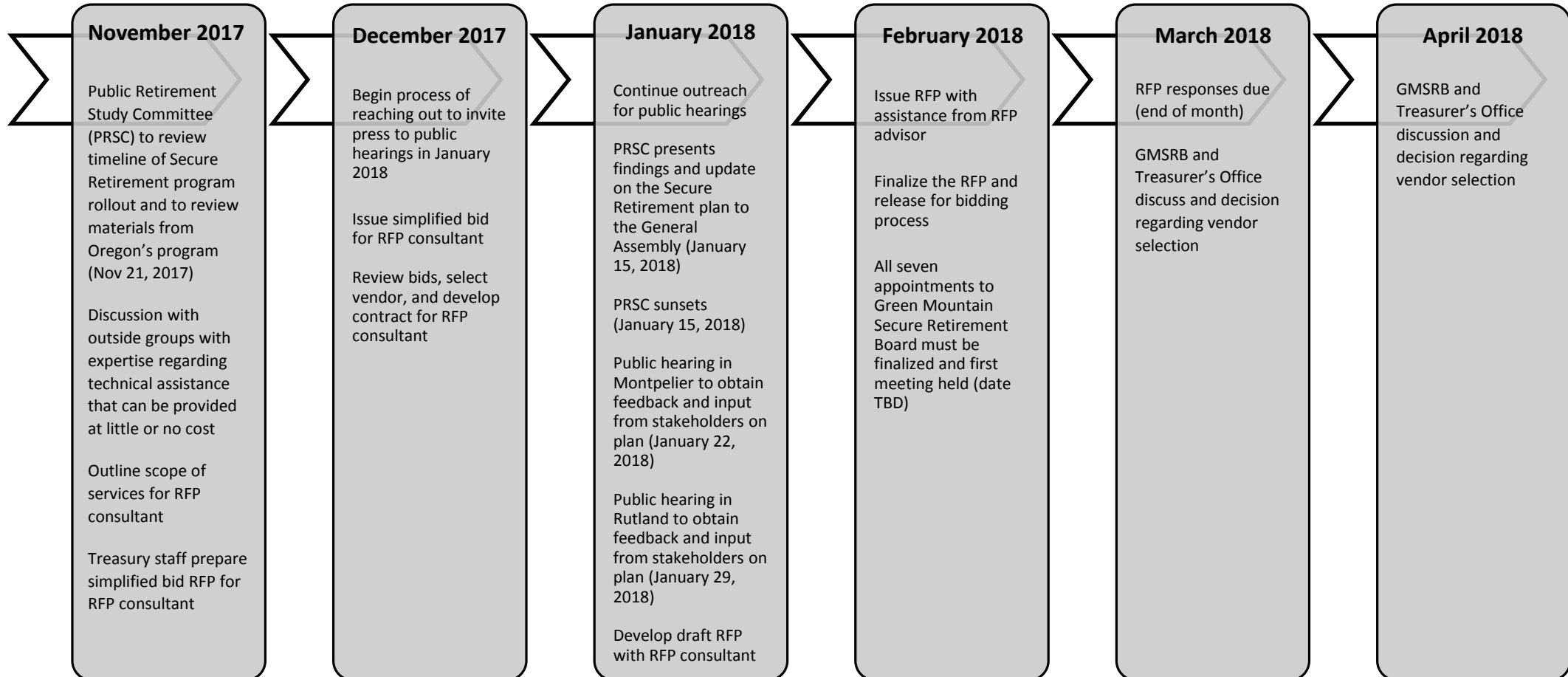
- Deadline for launch of plan (**January 15, 2019**)

January 2020:

- First annual report due – and due every **January 15th** thereafter (note: possible steps needed to change report due date to January 30)

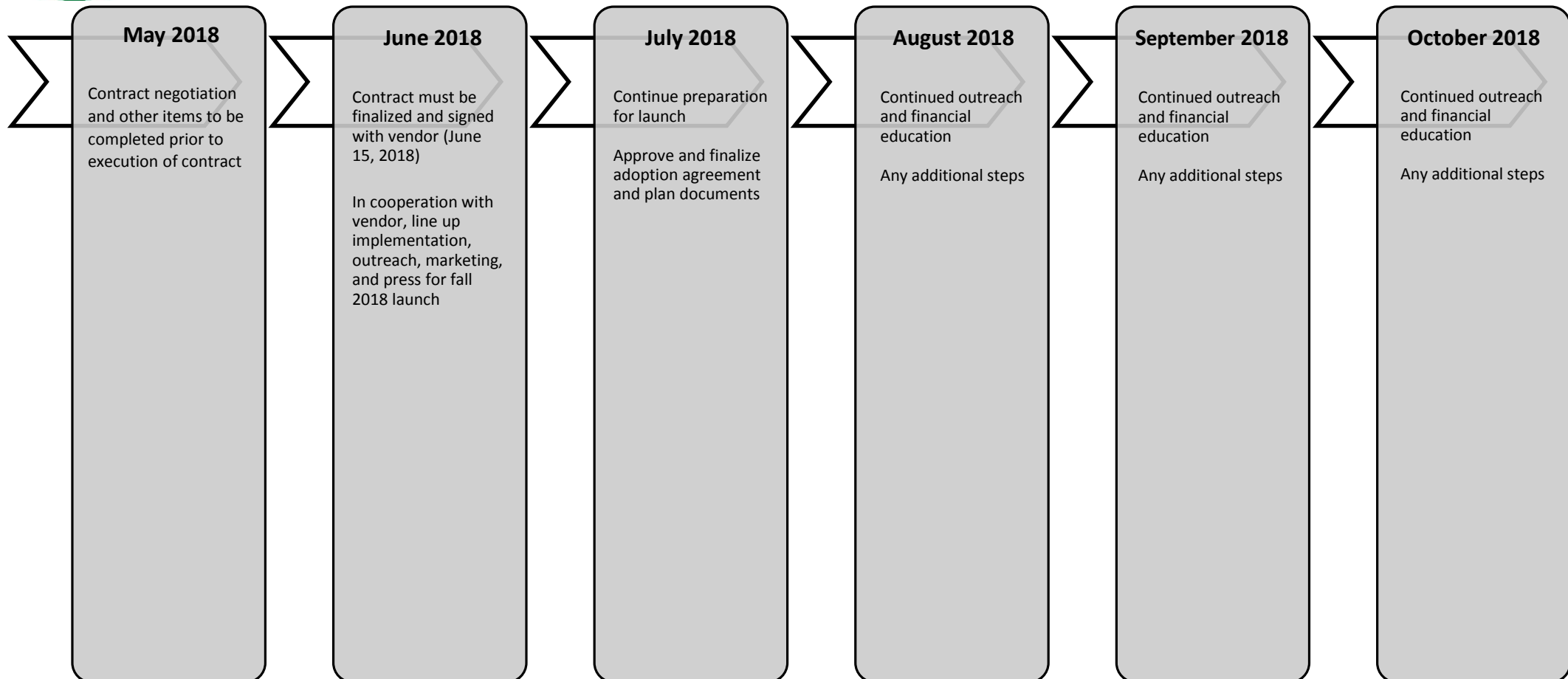


GREEN MOUNTAIN SECURE RETIREMENT PLAN: DRAFT IMPLEMENTATION TIMELINE (2017 – 2020)





GREEN MOUNTAIN SECURE RETIREMENT PLAN: DRAFT IMPLEMENTATION TIMELINE (2017 – 2020)





GREEN MOUNTAIN SECURE RETIREMENT PLAN: DRAFT IMPLEMENTATION TIMELINE (2017 – 2020)

