

# Retirement Marketplace



2020 Biennial Report to the Legislature pursuant to RCW 43.330.747

# Acknowledgments

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# Introduction

## Authorizing Legislation

Every two years, the Washington State Department of Commerce (Commerce) submits a report to the Legislature on the state’s Small Business Retirement Marketplace under RCW 43.330.747 as follows:

"The director shall report biennially to the legislature on the effectiveness and efficiency of the Washington small business retirement marketplace, including the levels of enrollment and the retirement savings levels of participating enrollees that are obtained in aggregate on a voluntary basis from private sector financial services firms that participate in the marketplace."

The 2020 report reviews the Marketplace’s operation, performance, findings, and recommends actions to improve the effectiveness of the program.

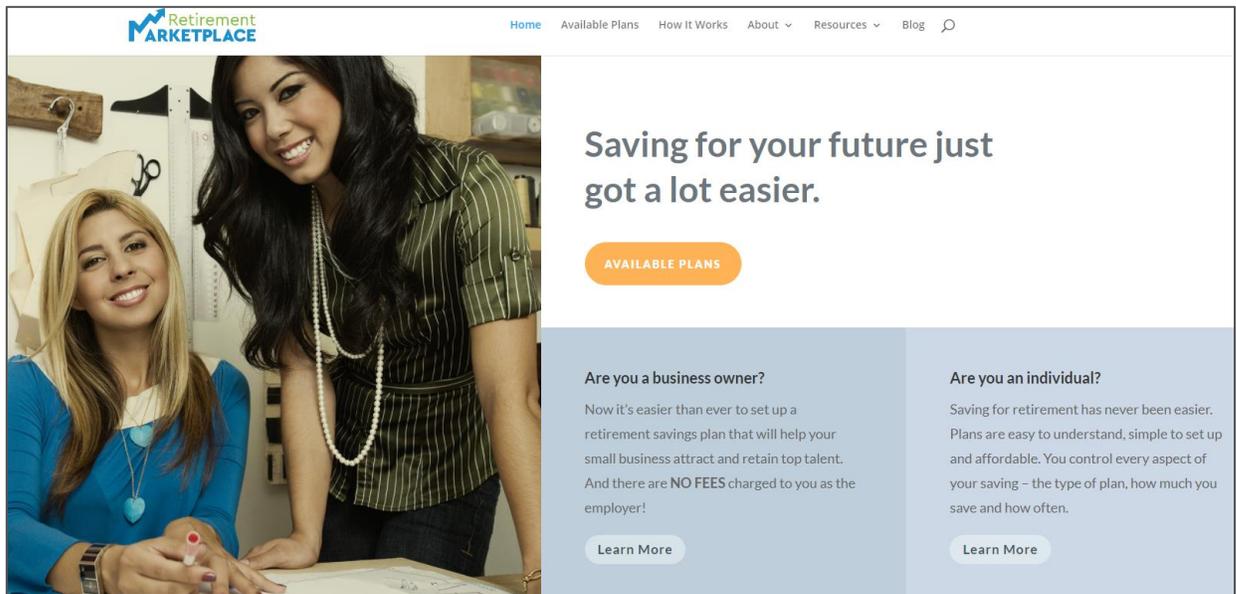
## Background

More than one million Washington residents do not have access to a retirement savings plan at their places of work. Washingtonians are significantly unprepared for retirement, which creates significant risk for an aging population in terms of economic safety and security.

The Retirement Marketplace program currently offers nine plans through three financial services firms. The Department of Financial Institutions or the Office of the Insurance Commissioner must verify that a plan meets the requirements set forth in RCW 43.330.732(7) and [RCW 43.330.735](#) before it is accepted into the program.

Individuals and employers access these plans through Commerce's program website ([retirementmarketplace.com](#)). The site offers individuals and small businesses a way to compare and shop for low-cost, easy-to-manage retirement plans. When a plan is selected on the website, the appropriate financial provider works directly with individual or business owner to set up a plan. By statute, plans cannot charge fees greater than 1% of the account balance and cannot charge an administrative fee to an employer.

**Figure 1. Landing page for the Retirement Marketplace website**



# Program Overview

## Highlights

Between March 2018 and June 2020, the website has had 28,200 unique visitors. This web traffic generated:

- 693 referrals to participating financial partners, yielding a conversion rate of 2.5%
- 16 businesses that have enrolled a total of 96 employees
- 23 individuals accounts
- \$1,290,696 in retirement savings

## Key Findings

### Brand Development and Marketing

One of the keys to program success is getting businesses and individuals to the website. The time, expense, and expertise needed to attract and sustain attention is significant. The program has actively engaged with partners to leverage the program's limited marketing resources. Examples of marketing efforts include:

- Facebook, LinkedIn, and targeted radio and print campaigns
- Promotional campaigns with industry associations
- Collaborations using marketing resources of other state agencies and local entities
- Website redesign

### Plan Availability

The program currently offers nine plans through three financial service providers. A number of other providers, including nationally recognized firms, have expressed interest in the program but have declined participation. Firms typically cite the fee structure (specifically not being able to charge employers fees), fund requirements, and the potential pool of accounts as common reasons for not enrolling in the program.

### Voluntary Programs

Data from other savings programs suggest that participation in voluntary program is limited to approximately 5% of eligible participants. For example, Washington State's Deferred Compensation Program began as a voluntary program and participation never exceeded 5% participation. In 2017, the program switched to auto-enrollment with the option to "opt-out". Over 90% of eligible participants now enroll in the savings program. Data collected by the Center for State and Local Government Excellence<sup>1</sup> found similar results with the Supplemental Retirement Savings Plan for South Dakota public employees.

## Recommendations

### ○ Change the administrative fee structure in RCW 43.330.735(11)

A number of high-profile financial firms have inquired about listing products on the Marketplace, but few have enrolled. Current legislation does not allow providers to charge employers fees, which in turn prevents them from covering the cost of enrollment and account maintenance. The ability for a provider to charge an employer a flat fee or a cost per participating employee fee would very likely make the Marketplace more appealing to providers and increase plan availability. Fee structure should continue to be reasonable so as not to discourage businesses from enrolling into a savings plan.

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<sup>1</sup> Issue Brief: Impact of Automatic Enrollment in the 457 Plan for South Dakota Public Employees

- **Reduce provider requirements to offer multiple plans**

RCW 43.330.735(7) requires plan providers to offer a minimum of two product options: (a) A target date or other similar fund, with asset allocations and maturities designed to coincide with the expected date of retirement and (b) a balanced fund. Many firms report they do not offer both types of retirement funds. Current providers report they had to create special products to fit the constraints of the state's legislation. A requirement to offer at least one diversified investment product can provide security for savers without mandating balanced and target-date funds specifically.

- **Expand the program to businesses of all sizes**

RCW 43.330.730(3) states that an eligible employer allowed to participate in the Marketplace is one with fewer than 100 qualified employees. Our plan providers report that it takes nearly as much work to enroll a small business as it does for large ones. Removing the 100-or-less employee minimum, or increasing the minimum, would broaden the potential pool of business accounts and make the program more attractive to financial partners.

- **Increase funding for marketing**

Ultimately, the number of accounts created and the total amount saved for retirement are the true measures of program success. This cannot occur without greater brand awareness to establish the program as a trusted way for businesses and individuals to save for retirement.