



Small Business Retirement Marketplace

Update to the Legislature per RCW 43.330.747

Background

When low- and moderate-income workers can save for retirement direct from payroll, they're 15 times more likely to set money aside for retirement.¹

Recognizing that over 2 million working Washingtonians lack access to retirement plans at work, the Washington legislature enacted ESSB 5726 in 2015, establishing Washington's Small Business Retirement Marketplace. Envisioned as a way to remove barriers that inhibit small employers from offering retirement plans, the Retirement Marketplace promotes, without mandated participation, qualified, low-cost retirement savings vehicles.

The program is funded with GF-S funds in Commerce's operating budget.

Retirement Marketplace

The Retirement Marketplace is an online portal where small businesses and individual workers can comparison shop for low-cost retirement savings plans.

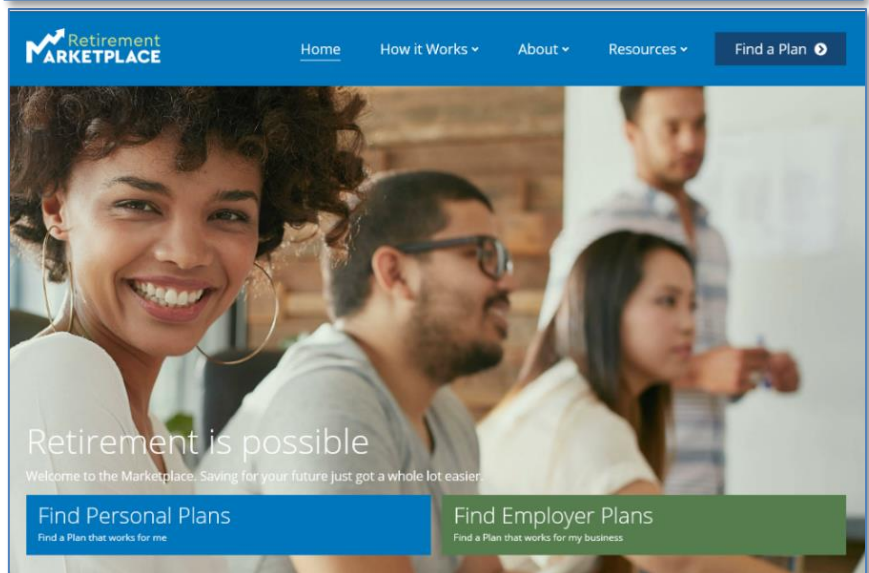
It's easy-to-use: Navigating the site feels familiar, much like popular e-commerce sites consumers are accustomed to browsing.

It's informative: It provides financial education content in small increments as users navigate the site.

It's motivational: The Retirement Marketplace encourages employers and workers to get started saving for their futures.

Launched March 19, 2018

www.retirementmarketplace.com



¹ Employee Benefit Research Institute, as cited in AARP Public Policy Institute Fact Sheet: *Access to Workplace Retirement Plans by Race and Ethnicity*, February 2017. <http://www.aarp.org/content/dam/aarp/ppi/2017-01/Retirement%20Access%20Race%20Ethnicity.pdf>

Progress to Date

The Retirement Marketplace launched on March 19, 2018. Implementing this new initiative involved three major efforts:

1. Developing the Retirement Marketplace digital platform;
2. Developing a supply of state-verified retirement savings plans; and
3. Promoting employer and worker demand for low-cost retirement savings plans.

1. Developing the Retirement Marketplace platform:

Through a competitive procurement, the Department of Commerce contracted with RedTech, a Bellevue leader in outsourced web operations, to develop the Retirement Marketplace platform.

Using Kentico as the content management system, RedTech and Commerce developed a robust and highly adaptable website that can transform a complex array of retirement savings plan types – from Roth IRAs to 401ks – into an easy-to-navigate comparison-shopping experience for financial novices.

The Retirement Marketplace platform offers two distinct user journeys: One for employers, and the other for individuals, be they employees, sole proprietors, or gig workers. Each takes the user through a short set of guided questions to help them filter the types of retirement savings plans that best suit their situation.

The result is a comparison list of state-verified plans offered by private financial services firms. When a user finds a plan matched to their needs, they're referred directly to the plan provider to enroll and start saving.

The Retirement Marketplace platform acts as a resource and referral service; users enroll and conduct all of their retirement savings business with the private-sector provider of the retirement plan of their choosing. Neither the Retirement Marketplace, RedTech, nor the Department of Commerce collects personally identifiable information about businesses or employees.

2. Developing a supply of state-verified retirement plans:

Recognizing that many private financial services firms offer high-quality retirement savings options to employers, the legislature envisioned the Retirement Marketplace as a public-private partnership.

The state's role is to develop and manage the platform, to provide educational content and resources to its users, and to carry state-verified

First-in-the-Nation

Washington is the first state implementing a marketplace approach to the retirement savings crisis. Other states and national organizations are watching to see what kind of impact it makes.



Learn more about how retirement plans become verified for the Retirement Marketplace.

Visit the Department of Financial Institutions to learn how it works:

<https://dfi.wa.gov/small-business-retirement-marketplace>

retirement savings plans offered by the private sector. Per statute, portions of these activities shall be outsourced to private entities through competitive procurements.

Private financial services firms provide low-cost plans that comply with criteria set forth by the legislature.

Plan Recruitment: Commerce began educating and recruiting financial services providers about the Retirement Marketplace in late 2015. Over the course of two years, the agency interacted with a diverse array of providers, including legacy retirement/securities institutions, life insurance carriers, registered investment advisors, broker-dealers, third-party administrators, banks and credit unions.

Following is a summary of education and recruitment efforts:

- Issued a “Request for Information” to the industry soliciting detailed technical feedback.
- Directly prospected 28+ financial services firms.
- Provided education and outreach to three industry associations: Securities Industry and Financial Markets Association (SIFIMA), American Council of Life Insurers (ACLI), and Financial Services Institute (FSI).
- Hosted 14+ informational webinars for financial services providers.
- Procured a financial services consultant to identify qualified plans and gaps between standard industry practices and state statute.
- Attended and presented at national forums and webinars on retirement security.
- Issued push notifications to spur industry to “Act Now” to get products verified.

Verification: At the time of this writing in April 2018, seven plans offered by two providers have secured verification to be listed on the Retirement Marketplace. Twenty-four retirement plans offered by eleven private-sector financial services providers have applied for verification with DFI. Additionally, one life insurance carrier applied for verification with OIC. For plans not meeting criteria, DFI issued comment letters to each of our applicants to outline deficiencies.

The Department of Financial Institutions (DFI) and the Office of Insurance Commissioner (OIC) are responsible to verify that plans and providers meet the criteria set forth in statute in order to be carried on the Retirement Marketplace. Once verified by its state regulatory entity, the provider must provide plan information to Commerce and accept terms and conditions for participating on the Retirement Marketplace.

Deficiencies include (top two are the most common):

- Annual fees exceed 100 basis points (1 percent):
 - Some plans’ fees exceeded 100 basis points for all accounts.
 - Others, with a portion of their fees assessed as flat per account dollar charges, exceed 100 basis points for accounts under a certain balance (i.e., the denominator – account balance – would have to be sufficiently high in order for the flat fee to represent 100 basis points or less).
- Plan does not have required product options:
 - Balanced mutual fund; and
 - Target date mutual fund.
- Administrative fee charged to employers.

- Historical performance information not provided.
- Unclear whether the plan has a rollover option.
- Unclear whether plan participation is voluntary for enrollees.

SSB 5675 - Addressing the minimum operating requirements and the review of plans necessary to be included in the small business retirement marketplace: Acknowledging some of the deficiencies identified by DFI and concerns on the part of OIC about its ability to verify retirement plans, the legislature passed SSB 5675 in the 2017 regular session.

The legislation effected the following:

- There must be at least two approved plans, rather than two financial services firms offering plans, in order for the Marketplace to operate.
- The director of Commerce shall limit plans to those with total fees the director considers reasonable based on all the facts and circumstances.
- Financial services firms may charge enrollees a *de minimis* fee for new and/or low balance accounts in amounts negotiated and agreed upon by Commerce and financial services firms.
- If a plan includes either life insurance or an annuity product, OIC may request that the DFI conduct the plan review.

Discontinuation of myRA: Legislation creating the Retirement Marketplace called out the U.S. Treasury's *myRA* program as a safe, affordable, and accessible retirement vehicle and required it be carried on the Retirement Marketplace. The zero-fee, Treasury-backed Roth IRA, introduced in November 2015, was incorporated into the Retirement Marketplace platform in 2017. Treasury staff created custom landing webpages for Washington state employers and workers referred from the Retirement Marketplace. In July 2017, Treasury announced it would discontinue the program by immediately halting new enrollments, citing a program review that found it not to be cost effective.

3. Promoting employer and worker demand for low-cost retirement savings plans:

Promoting employer and worker demand for low-cost retirement savings plans will require substantial education and outreach efforts, beyond the reach of the current program budget of \$268,000/year. Recent estimates have some 130,000 businesses and self-employed without a workplace retirement savings plan, and over 2 million workers who are uncovered in the workplace.

Commerce's three-point promotion strategy for the Retirement Marketplace's first year includes:

1. General campaigns: Targeted earned media and outreach campaigns focused on designated regions and industry sub-markets. Commerce is developing these campaigns in coordination with AARP Washington's "Work and Save" campaign in order to leverage that organization's mass media buying power, printing resources, and distribution channels.
2. Cultivating Local Champions: Commerce will tap the state's network of asset building coalitions, chambers of commerce, microenterprise assistance organizations, economic development councils and similar organizations to cultivate local champions for retirement saving.

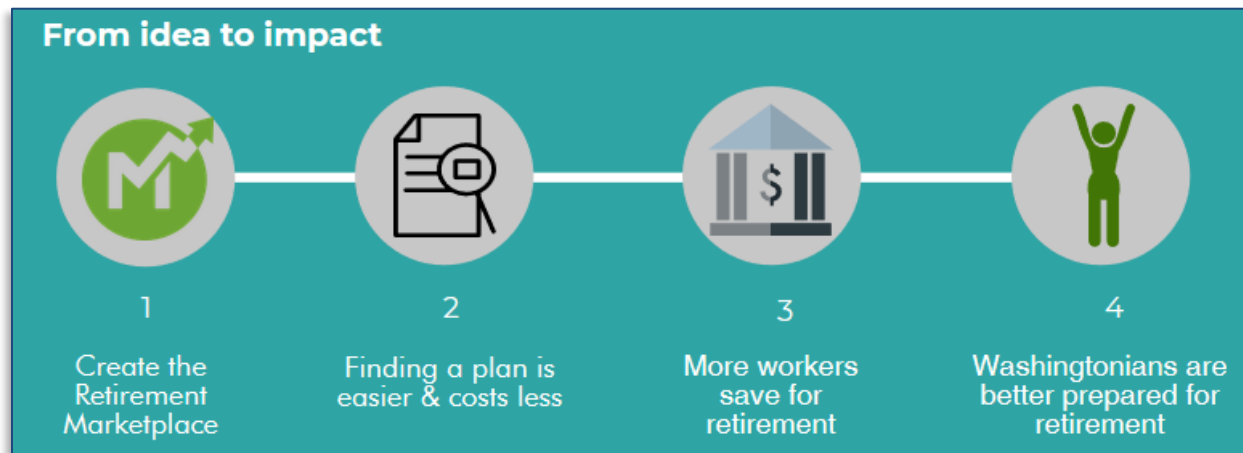
3. Spanish Language Localization: While overall 61 percent of Washington’s workers are without a workplace-based retirement plan, a staggering 79 percent of our state’s Hispanic workers are uncovered. With underwriting from AARP, Commerce procured a fully functional Spanish language version of the Retirement Marketplace. Partnerships with Hispanic chambers of commerce, community organizations, and Spanish language publications are the anticipated distribution channels.

Moving Forward

The Retirement Marketplace launched in March 2018 with the promise of helping employers easily comparison shop for low-cost retirement savings plans for their workforce. When visiting the Retirement Marketplace, users will gain bite-size information about how to plan for retirement and get access to state-verified, fee-conscious savings plans.

Future reports will describe the effectiveness and efficiency of the Retirement Marketplace through measures about page views, click-through referrals to verified plans, and account statistics reported by financial services providers to DFI.

In its introductory year, feedback gathered through user experience testing will help target any needed adjustments to the Marketplace platform, educational content, and referral process.



Discover more about Washington’s retirement security gap

Commerce’s [November 2017 report on Retirement Readiness](#) explores the situation in detail.



Retirement Readiness

How prepared are Washingtonians for retirement?¹

“Washingtonians aren't saving enough for retirement, at the risk of spending their later years with diminishing standards of living and more reliance on public safety net programs.”

Washington State Retirement Preparedness Study, Department of Commerce
Report to the Legislature, November 2017

1. Washington's senior population will more than double in number by 2040.

As Baby Boomers age into retirement, our senior population will be more concentrated in the oldest of the old, those aged 85+.²



2. Workers are increasingly on their own to plan for retirement.

Since the mid-1970s, the kind of retirement plans most employers sponsor shifted from Defined Benefit (DB – traditional pensions) to Defined Contribution (DC – such as 401ks).

Today, more than 3 in every 4 workers who have a plan are in DC plans.³

DB plans result in a guaranteed retirement income with few decisions left to individuals to make.

On the other hand, turning a DC plan into a secure retirement depends on adequate contributions, good investment choices, market performance, fees and decumulation decisions.



3. Household financial capability is lacking.

56% of households aren't able to set aside money on a month-to-month basis because they're either spending more than they make or breaking even.⁴

55% of households report they are very or somewhat anxious about their retirement security.⁵

They expect most of their retirement income to come from personal savings and retirement plans, yet 3 in 5 have never calculated how much money they need to set aside for retirement.⁶



