

# State Administered Retirement Plans (SARPS) The Opportunity

# Michael j. DiCenso



- More than 30 years of experience in the Institutional and Retirement Plan Arena.
- Nationally recognized speaker and expert on topics relating to retirement services, wealth
- Quoted in publications and media sites including PLANSPONSOR, PLANADVISOR, 401kwire.com the Chicago Sun Times, Defined Contribution and Savings Plan Alert, theStreet.com and the highly acclaimed book "Transform Tomorrow."

# U.S. Retirement Crisis

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**55,000,000**

**U.S. Workers DO NOT have access to a retirement plan at their place of employment**

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Data from Employee Benefits Research Institute [Databank on Employee Benefits](#), July 2014.

**Over 40-percent**

**of Americans have less than \$10,000 in assets**

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Data from GOBankingRates, Here's how many Americans don't have access to a 401(k) plan, March 12, 2018.

**65 percent**

**of Americans have NOTHING saved for retirement**

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Data from Bankrate.com, 65% of Americans save little or nothing—and half could end up struggling in retirement, March 19, 2018.

**\$3,000**

**Median retirement balance for working-age households**

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Data from National Institute on Retirement Security

**\$12,000**

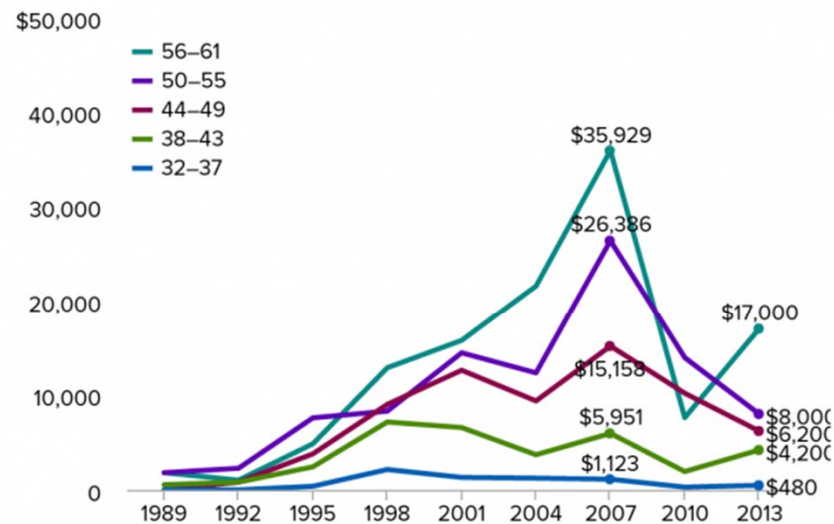
**Median retirement balance for near-retirement households**

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Data from National Institute on Retirement Security

# Most families—even those approaching retirement—have little or no retirement savings

Median retirement account savings of families by age, 1989–2013 (2013 dollars)

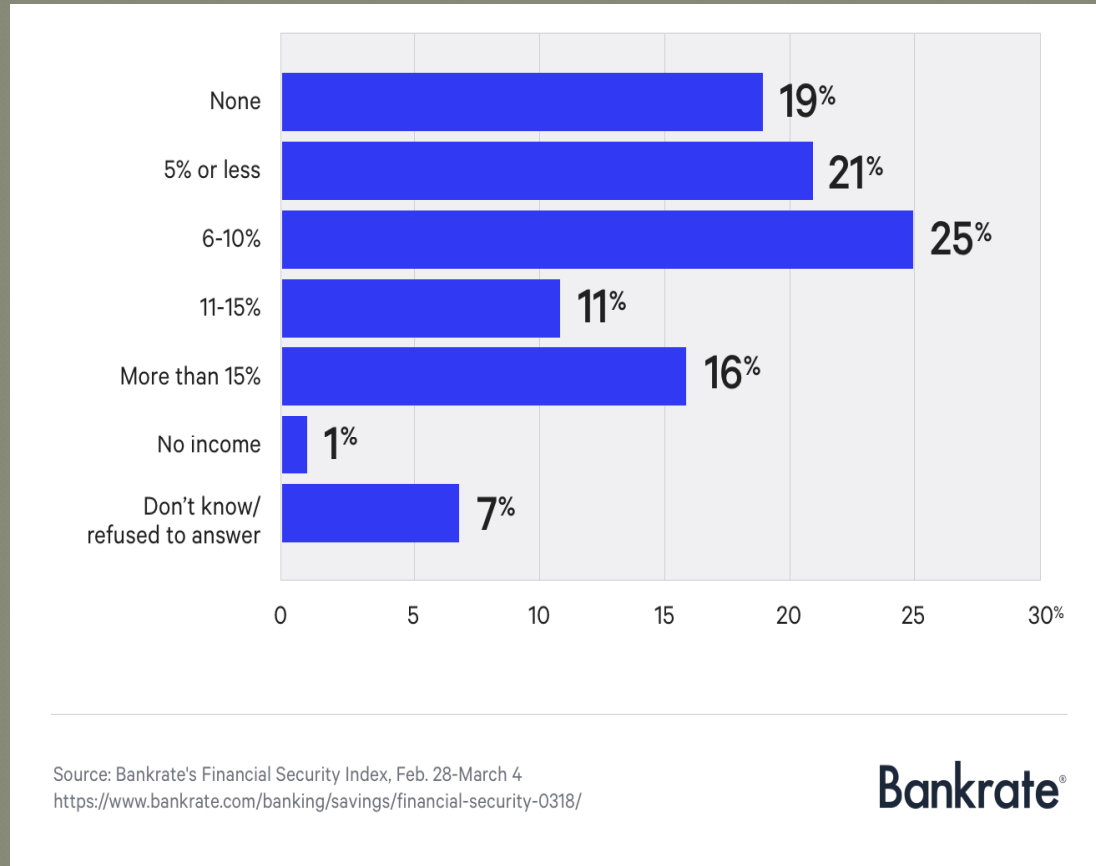


**Note:** Scale changed for visibility. Retirement account savings include 401(k)s, IRAs, and Keogh plans.

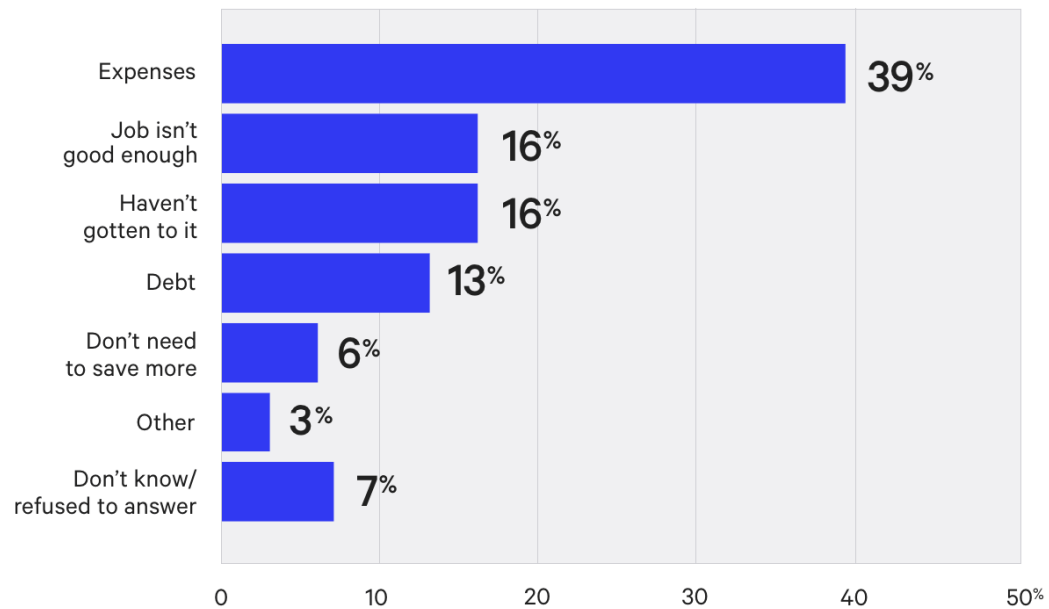
**Source:** EPI analysis of Survey of Consumer Finance data, 2013.

Economic Policy Institute

# What percentage of annual income do you save?



# What's the main reason you don't save money?




Source: Bankrate's Financial Security Index, Feb. 28-March 4  
<https://www.bankrate.com/banking/savings/financial-security-0318/>

**Bankrate**<sup>®</sup>

# U.S. Small Businesses at a Glance

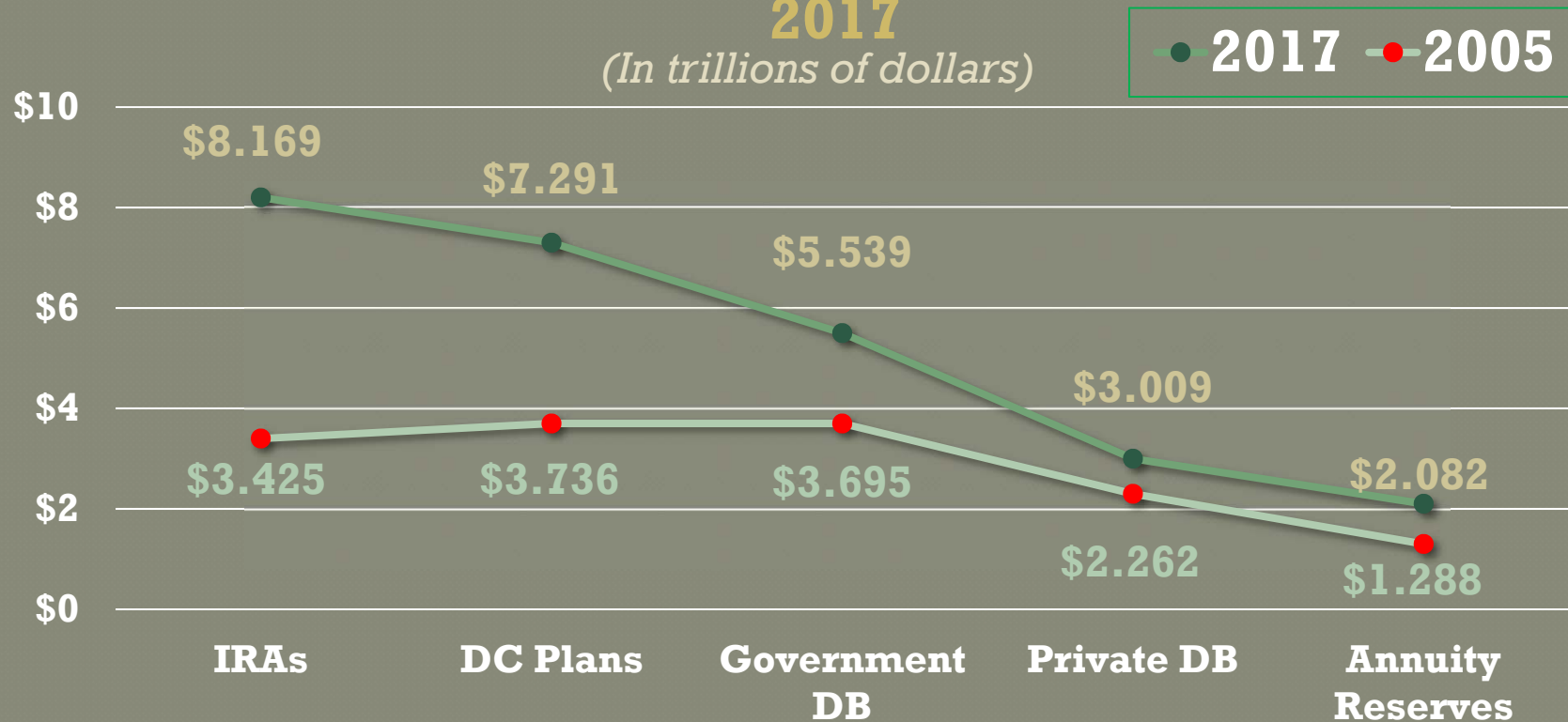
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- 28,800,000 small businesses in the U.S.
  - Employ 56,800,000 U.S. workers
  - Represent 99.7% of all employers
  - Employ 48% of private sector workers
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- A stylized illustration of two buildings. The building on the left is taller and has a grid of nine windows (3x3). The building on the right is shorter and has a grid of four windows (2x2). Both buildings are rendered in a dark purple color with white outlines for the windows.

# IRAs: The Future of Retirement

## U.S. RETIREMENT MARKET ASSETS, 2005-2017

(In trillions of dollars)



Sources: Department of Labor, ICI, U.S. Census Bureau, Federal Reserve, Federal Thrift Savings Plan Annual Reports, S&P Capital IQ MMD, Milliman, Towers Watson, PLANSPONSOR Magazine, United States Office of Personnel Management, Cerulli Associates.



# IRA vs. 401(k) Statistics

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	<b>IRA</b>	<b>401(k)</b>
<b>Average Balance</b>	\$127,583	\$76,293
<b>Average Annual Contribution</b>	\$4,195	\$2,733

Data from Employee Benefits Research Institute [Issue Brief No. 424](#), August 2016

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# “The Forgotten Investors”

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## **The Forgotten Investors**

**The average savings for a 50-year-old is \$43,797, according to the Census Bureau.**

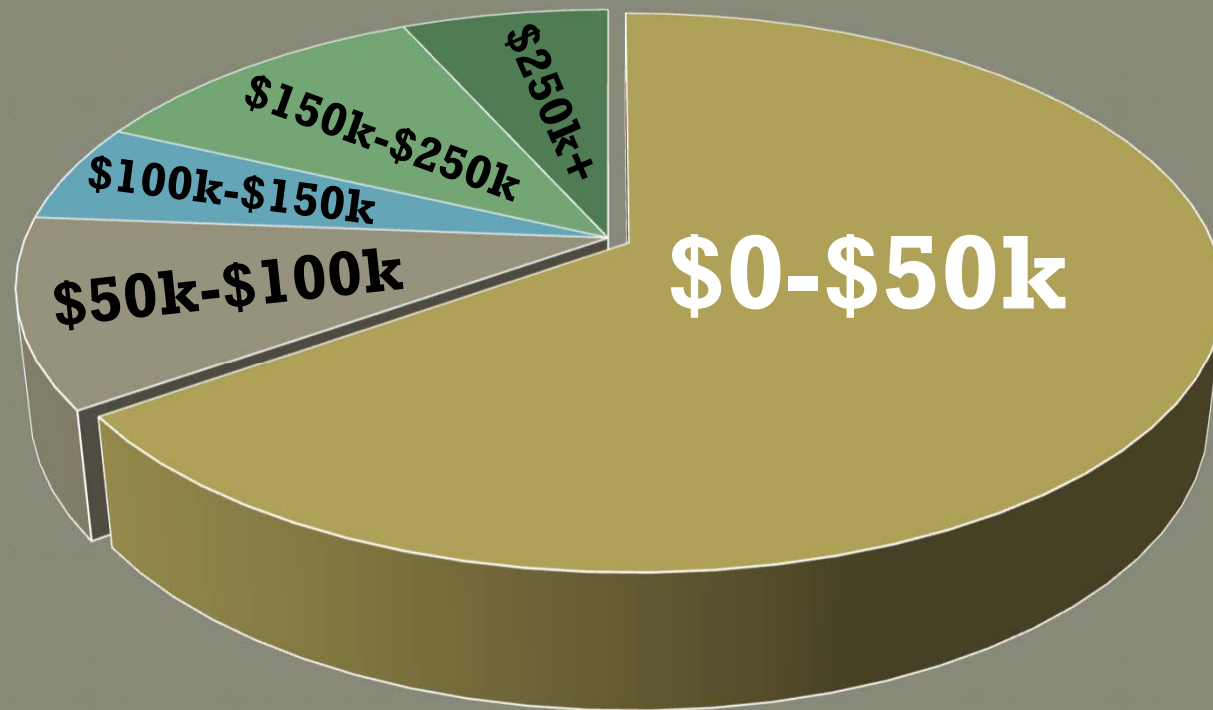
**More than 31 Million US households have \$50,000 in retirement assets or less.\***

*\*Source: Congressional Research Service*

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# IRA Rollovers by Account Size

**69% of IRA Rollovers are accounts with \$50,000 or less**



■ \$0 to \$50,000 - 69%

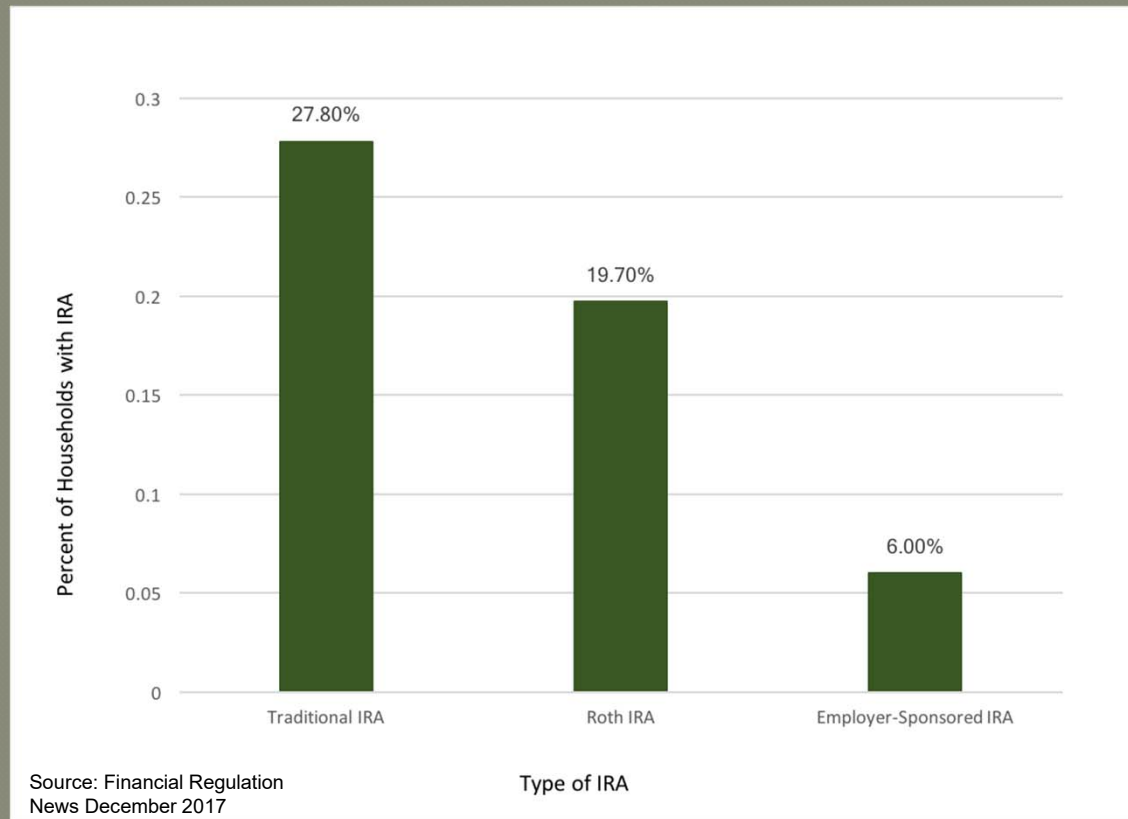
■ \$50,000 to \$100,000 - 11.7%

■ \$100,000 to \$150,000 - 6%

■ \$150,000 to \$250,000 - 12%

■ \$250,000-plus - 7%

# The Percent of American Households with Common Types of IRAs



# Cost of a Retirement Plan

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- ◎ An industry report at the end of 2016 cites a median cost for plans with 100 participants or more, and \$1 million or more in assets, of just 0.93 percent of plan assets per year, with the rate dropping sharply as assets exceed \$10 million and more to as low as 0.27 percent of plan assets per year.
  - ◎ However, when it comes to small plans, that's not the case at all, according to the report; in fact, fees run considerably higher, and in the case of one provider nearly hitting 2 percent of plan assets.
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# Retirement Plan Costs

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## ☐ 401K Plan Fees

☐ Example: 100 Participants // \$5 million in Assets

☐ Start up costs: \$4,000

☐ Average cost per participant: \$623

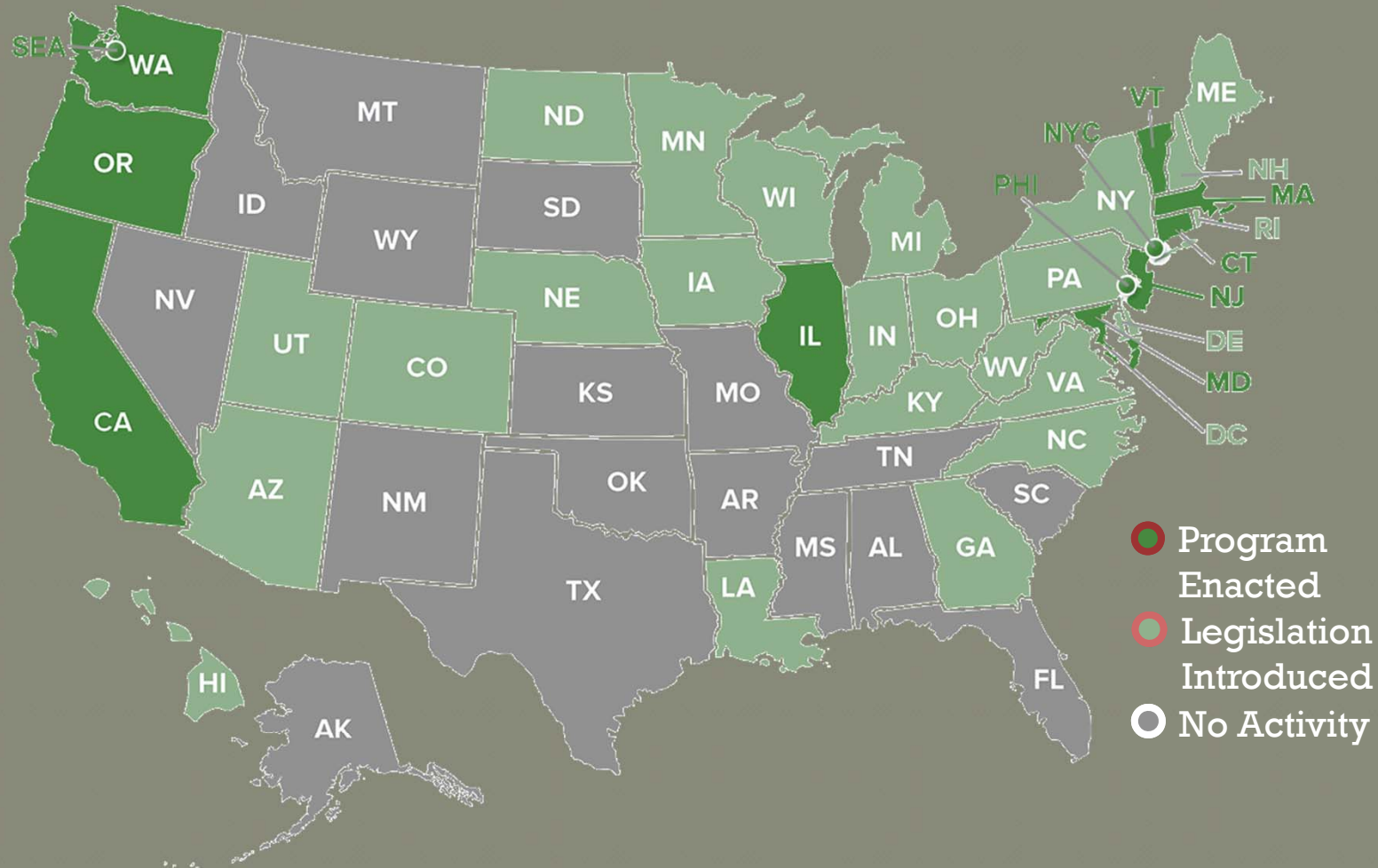
☐ Breakdown of costs:

☐ 42.5% revenue sharing

☐ 6.1% record keeping and administration

☐ 51.4% net investment expense

# Status of City- and State-Run IRAs



Data from AARP State Retirement Savings Resource Center, <http://www.aarp.org/ppi/state-retirement-plans/state-bills-and-plans/>

# Notable State Plan Features

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**EMPLOYERS:** Ranges from employers with 5 employees or more (CA) to 100 employees or less (WA).

**PRICE:** Most states aiming for 100 bps all-in pricing, no hard dollar.

**STRUCTURE:** Single solution or Marketplace setups.

**ENROLLMENT:** Some require auto-enrollment, making the employer a fiduciary.

**PRODUCT:** Payroll Deduction with IRAs with Roth default, SIMPLE IRAs, some MEP and myRA inclusion.

**INVESTMENTS:** Many employing TDFs; California to employ U.S. Treasuries for 3 years.

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# The Oregon SARP

## OregonSaves Employer Registration Timeline Based on number of employees

May 15 **2018**

Dec 15 **2018**

May 15 **2019**

Nov 15 **2019**

May 15 **2020**



**WAVE 2: begins April**  
Employers with  
50-99 employees

**WAVE 3: begins Nov**  
Employers with  
20-49 employees

**WAVE 4:**  
Employers with  
10-19 employees

**WAVE 5:**  
Employers with  
5-9 employees

**WAVE 6:**  
Employers with  
4 or fewer employees

## OregonSaves SARP: What counts as an employer sponsored retirement plan?

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OregonSaves employer sponsored retirement plans include:

- A plan qualified under Internal Revenue Code sections 401(a)/ 401(K) plans
- Qualified annuity plan under section 403(a)
- Tax-sheltered annuity plan under section 403(b)
- Simplified Employee Pension plan under section 408(k)
- SIMPLE IRA plan under section 408(p)
- Government deferred compensation plan under section 457(b)

\*Payroll deduction IRAs are not included.

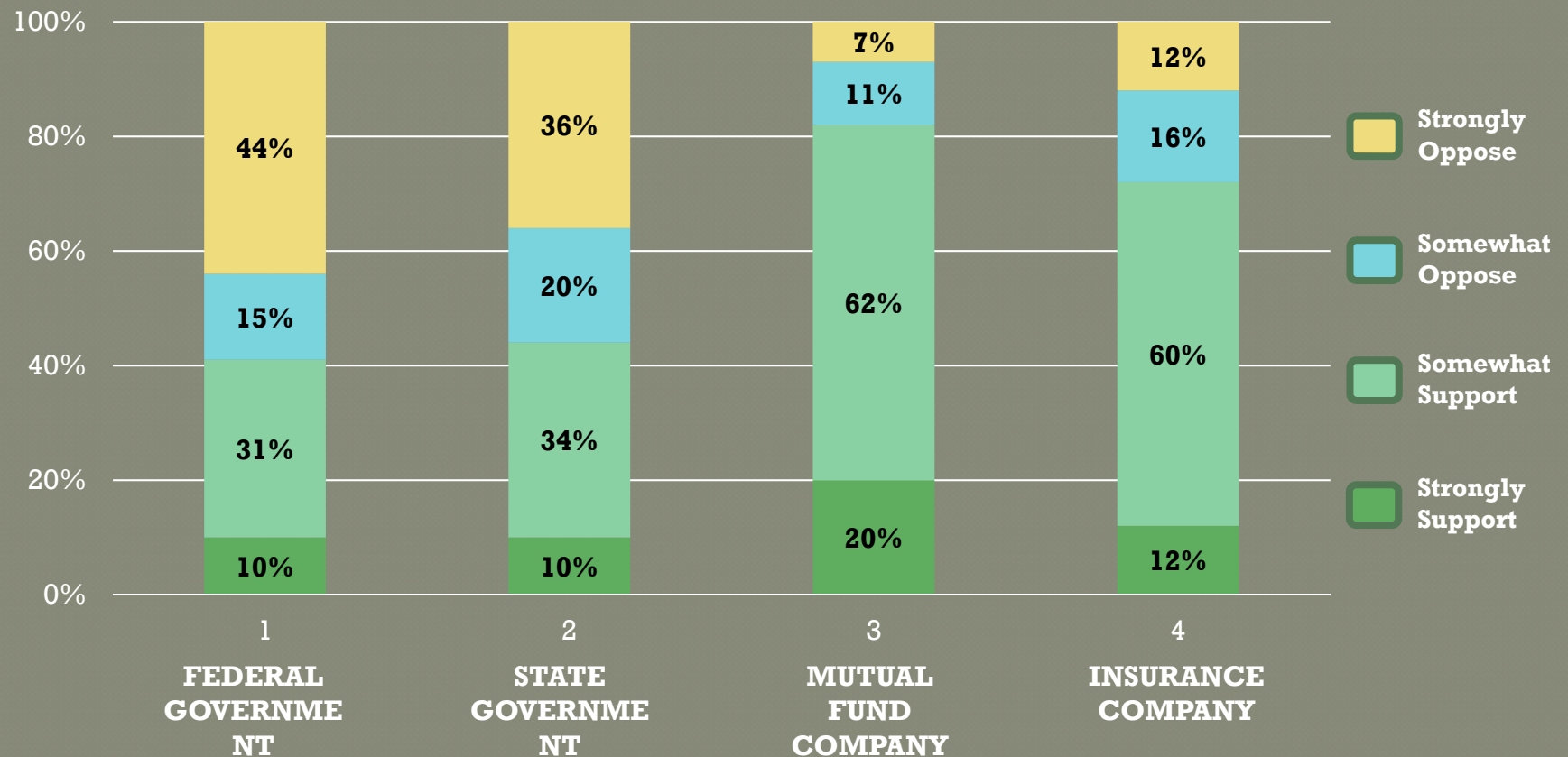
# Stats

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- Indeed, data analyzed by The Pew Charitable Trusts found that 35 percent of private sector workers over the age of 22 don't work for a company that offers a plan.
- Pew found that 41 percent of millennials didn't have access to an employer-sponsored retirement plan while only 35 percent of Gen-X and 30 percent of boomers had to do without.

# 82% of SMBs Owners Prefer Fund & Insurance Co's. to Administer Plans

Who do SMBs Want to Sponsor and Administer a Plan?



Data from The Pew Charitable Issue Brief, [Small Business Views on Retirement Savings Plans](#), January 11, 2017.

# Privately-Run vs. State-Run IRAs

<b>PRIVATELY-RUN</b>	<b>STATE-RUN</b>
<b>Full Portability</b>	<b>Limited or No Portability?</b>
<b>Non-Fiduciary</b>	<b>Fiduciary</b>
<b>Additional Contributions</b>	<b>Strictly Payroll Deduction?</b>
<b>Transferable</b>	<b>Non-Transferable?</b>
<b>Liquidity and Access</b>	<b>No Access?</b>
<b>SEP, SIMPLE, Payroll, Traditional &amp; Roth</b>	<b>Limited IRA Options</b>

# Solutions/Opportunities

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- Payroll IRA programs other than State offered programs
- MEP's
- More DC Plans offered in the work place, even if there is no match
- Advisors and Consultants need to serve the underserved market
  - Capitalize on Holistic consulting and benefits

# Solutions/Opportunities

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Actively disengaged employees cost their organization \$3,400 for every \$10,000 of salary

# Solutions/Opportunities

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- Engaging Employees through holistic solutions/ Financial Wellness
  - Debt Management is the Key to Financial Wellness
    - Get Credit Healthy – service that enables individuals to clean up their credit score to attain lower interest rates on credit cards and debt
  - Not everyone needs a 401k or IRA
    - HSA
    - Life Insurance
    - 529
    - Disability Insurance



# Open Discussion

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**WANT MORE INFORMATION?**



**Michael j.  
DiCenso**  
mjdicenso@gmail.co  
m  
609.658.3331