
FEBRUARY 2019

PORTABLE NON-EMPLOYER RETIREMENT BENEFITS:

**An Approach to Expanding Coverage
for a 21st Century Workforce**



**COMMON
WEALTH**

THE ASPEN INSTITUTE
**FINANCIAL
SECURITY
PROGRAM**

About the Paper

This paper is the product of a collaboration between the Aspen Institute Financial Security Program (FSP) and Common Wealth and was authored and produced by Alex Mazer, Jonathan Weisstub, and Grace Li from Common Wealth, and Ida Rademacher, David Mitchell, and Ben White from FSP. Aspen FSP's expertise lies in connecting topics of work and topics of wealth, catalyzing leadership in the retirement field, and helping to create new markets and new categories of financial solutions. Common Wealth brings an outside, global perspective on retirement issues and several years of on-the-ground experience creating collective retirement plans for large groups of uncovered and underserved workers in Canada. Together, our two organizations aim to connect and bring a fresh, solutions-oriented perspective to two critical conversations in America: one about the future of work, the other about the future of retirement security.

Acknowledgements

In preparing this paper, the authors have benefited from the insights of a wide range of subject matter experts and practitioners. The authors would like to thank the many people who took time to participate in structured interviews to help advance the thinking on this project (see the Appendix for a full list of interviewees), as well as those who took time to review and provide thoughtful comments on drafts of the paper, including Karen Andres, David John, Jamie Kalamarides, and Arjun Kaushal. The authors are also grateful for the participation of a range of experts for providing invaluable feedback on the project through a workshop in Washington, D.C., in October 2018. While this paper draws on the insights of all of the contributors listed above, the findings, interpretations, and conclusions expressed here, as well as any errors or other shortcomings, are those of the authors alone. This paper is made possible through funding from The Prudential Foundation, although the authors retained full editorial control. Finally, we would like to thank the the Jake Group, the creative agency responsible for the design and layout of this report.



ABOUT THE ASPEN INSTITUTE FINANCIAL SECURITY PROGRAM AND THE ASPEN INSTITUTE

The Aspen Institute Financial Security Program's (FSP) mission is to illuminate and solve the most critical financial challenges facing American households and to make financial security for all a top national priority. We aim for nothing less than a more inclusive economy with reduced wealth inequality and shared prosperity. We believe that transformational change requires innovation, trust, leadership, and entrepreneurial thinking. FSP galvanizes a diverse set of leaders across the public, private, and nonprofit sectors to solve the most critical financial challenges. We do this through deep, deliberate private and public

dialogues and by elevating evidence-based research and solutions that will strengthen the financial health and security of financially vulnerable Americans.

The Aspen Institute is an educational and policy studies organization based in Washington, D.C. Its mission is to foster leadership based on enduring values and to provide a nonpartisan venue for dealing with critical issues. The Institute has campuses in Aspen, Colorado, and on the Wye River on Maryland's Eastern Shore. It also maintains offices in New York City and has an international network of partners.

ABOUT COMMON WEALTH

Common Wealth is a mission-driven business focused on expanding access to retirement security. Based in Toronto, Common Wealth designs and manages collective retirement plans for groups of workers who are uncovered or underserved by traditional workplace retirement plans. Recently, the company partnered with SEIU to create the first retirement plan in Canada for lower- and moderate-income earners, and is currently working with a group of foundations and

employers to create a national, portable retirement plan for Canada's not-for-profit sector. Common Wealth also advises and partners with a wide range of institutions in both Canada and the United States on initiatives that will materially strengthen retirement security, including governments, unions, associations, and pension funds, with collective assets under management exceeding \$800 billion.

Disclaimer

The case studies included in this report reflect promising models for delivering portable non-employer retirement benefits. These examples are illustrative rather than exhaustive, and their inclusion should not be construed as endorsements.

Executive Summary

America's retirement system is seriously underperforming. Over 55 million Americans lack access to a workplace retirement plan. Three-quarters of Americans are worried about their ability to maintain their standard of living in retirement, and nearly six in 10 do not own a retirement account. Poverty among American seniors is nearly twice that of other OECD countries. The changing nature of work is likely to intensify these challenges. Innovative strategies involving the private, public, and not-for-profit sectors are therefore required to build an occupational safety net for the 21st century that includes broad-based retirement security.

This paper proposes an approach for expanding retirement plan coverage called portable non-employer retirement benefits – retirement arrangements that are workplace-based, but not tied to any single job or employer. Perhaps what most distinguishes *portable non-employer retirement benefits* is the wide range of organizations that might sponsor them. These include professional associations, trade associations, groups of employers, labor unions, payroll companies, platform companies, new worker organizations, faith groups, and more. While governments have also begun to sponsor retirement arrangements for the uncovered through state-facilitated programs, an exploration of the government-sponsored model is outside the scope of this paper as it has been well documented elsewhere.

The single-employer-based system of retirement benefits greatly expanded coverage in the 20th century, but today it appears to have plateaued. Portable non-employer retirement benefits are intended to supplement the single-employer-based system and to complement the growing movement to establish state-facilitated retirement savings programs. Such benefits can be thought of as both an aspiration for the future of the occupational safety net, and a description of various kinds of portable, non-employer-centric arrangements that already exist, both in the US and abroad. Through interviews and case studies, this paper explores eight existing examples of portable non-employer retirement benefits from the US, Canada, Australia, and the UK.

The uncovered Americans whom portable non-employer retirement benefits are meant to serve can be broken into four main constituencies: (1) lower- and moderate-income employees; (2) employees of smaller and medium-sized organizations; (3) the self-employed; and (4) contingent workers. Taken together, these constituencies represent a potentially large market. If portable non-employer retirement benefits were to grow to 10 percent of the size of the employer-sponsored defined contribution market, this would constitute nearly \$800 billion in assets under management, larger than the total pension assets of all but six of the world's countries. This represents a significant opportunity for private providers.

This paper explores six potential models of portable non-employer retirement benefits. Each has advantages and challenges, and all are worthy of further exploration and testing. To determine the viability of a particular model,



the following criteria can be considered:

- (1) need/demand within the addressable group;
- (2) trust in the sponsoring organization;
- (3) duration of member relationships;
- (4) alignment of interests; (5) ability to enroll;
- and (6) ability to partner with providers.

- **Associations.** America has a strong history of associations, which already play an important role in delivering member benefits, including providing work-related training to 10 million Americans. A professional association-based model, such as the 55-year-old program founded by the *American Bar Association*, can be effective because of the high need among self-employed professionals and the long duration of member relationships, but must deal with the challenge of voluntary enrollment. A trade association-based model could help fill a large coverage gap among smaller employers, but must overcome the challenge of a lack of direct relationship with workers.

- **Sectors.** A sector-based approach to retirement arrangements has worked in other countries and benefits from the fact that workers are likely to stay in the same sector for longer than they stay with any single employer. Such plans can achieve significant scale, as illustrated by the *Co-operative Superannuation Society Pension Plan*, which serves 47,000 members across 350 employers within Canada's co-operatives and credit union sector. The main challenge with a sector-based approach is the collective action problem that comes from the lack of a central organizing body.

- **Labor unions.** Labor unions have a long history of advocating for and sponsoring occupational retirement arrangements. Although most union members have a retirement plan, an estimated 5 million union members lack coverage, and unions are in a strong position to address the coverage gap for these workers, as the *Service Employees International Union Local 775* has recently done for a group of 45,000 home care workers in the state of Washington. The chief advantages of a labor-based model stem from labor's ability to bargain collectively and the potential for trust and alignment of interests between unions and their members. Challenges include declining union density and reputational issues among labor-sponsored pensions.

- **New worker organizations.** Where traditional unions are not viable, new organizations are emerging to advance the interests of workers. Such organizations could be promising sponsors for reaching contingent workers, as the *Workers Benefit Fund* is attempting to do by offering health and vision benefits to gig economy drivers in New York City. Given the nascence of this organizational type, it is difficult to predict whether new worker organizations will emerge as successful sponsors. To do so, they will have to gain greater scale and devise efficient means of enrolling members.



- **Payroll or platform companies.** Both payroll and platform companies have large-scale relationships with uncovered constituencies, particularly employees of small and medium-sized business and contingent workers. Because payroll companies already provide payroll processing services, they offer an easy access point for employers seeking to add a retirement benefit. Many payroll providers already offer retirement plans, one recent example of which is a partnership between *Gusto*, a payroll provider, and *Guideline*, a 401(k) provider. Platform businesses that rely on contingent workers have the scale and technology to reach large numbers of workers, but, as potential sponsors, face challenges related to their ability to enroll and earn the trust of the workers.
- **Faith groups.** Despite declining religiosity in America, 36 percent of Americans still attend religious services at least once a week. Likely the most practical way for faith groups to offer portable non-employer retirement benefits is to establish a pooled arrangement for their own employees, as *Wespath*, the largest publicly reported denominational retirement plan in the US, does for The United Methodist Church. An approach with greater reach would be for faith groups to offer retirement benefits to the uncovered members of their faith communities. Challenges with this broader approach include its lack of occupational character and its voluntary nature.

To be effective, portable non-employer retirement benefits should follow four design principles: (1) put members' interests first; (2) make contributions as frictionless and automatic as possible; (3) serve members throughout their

financial life cycle; and (4) employ some form of pooling to help members mitigate longevity and investment risks. Such benefits must also be capable of growing to a scale at which they can be self-sustaining, deliver economies of scale, and offer a high degree of portability. Such growth will require internalizing sales and marketing lessons from the retail retirement industry, as well as developing new growth techniques.

Stakeholders should consider several next steps for testing and building the market for portable non-employer retirement benefits:

- **Experiments and pilots** involving different potential models, sponsors, and partnerships
- A **federal policy framework** to encourage portable non-employer retirement benefits
- **Centralized collective bargaining or mandatory contributions or levies** within particular industries
- **Marketplaces**, which could be established by governmental or non-governmental entities
- **Funders** from the public, private, and philanthropic sectors willing to invest in the space
- An inclusive "**community of practice**" to deepen collaboration among committed stakeholders

Given the scale of America's retirement insecurity challenge, now is the time to begin exploring this potential new avenue to help workers retire better in the 21st century economy.

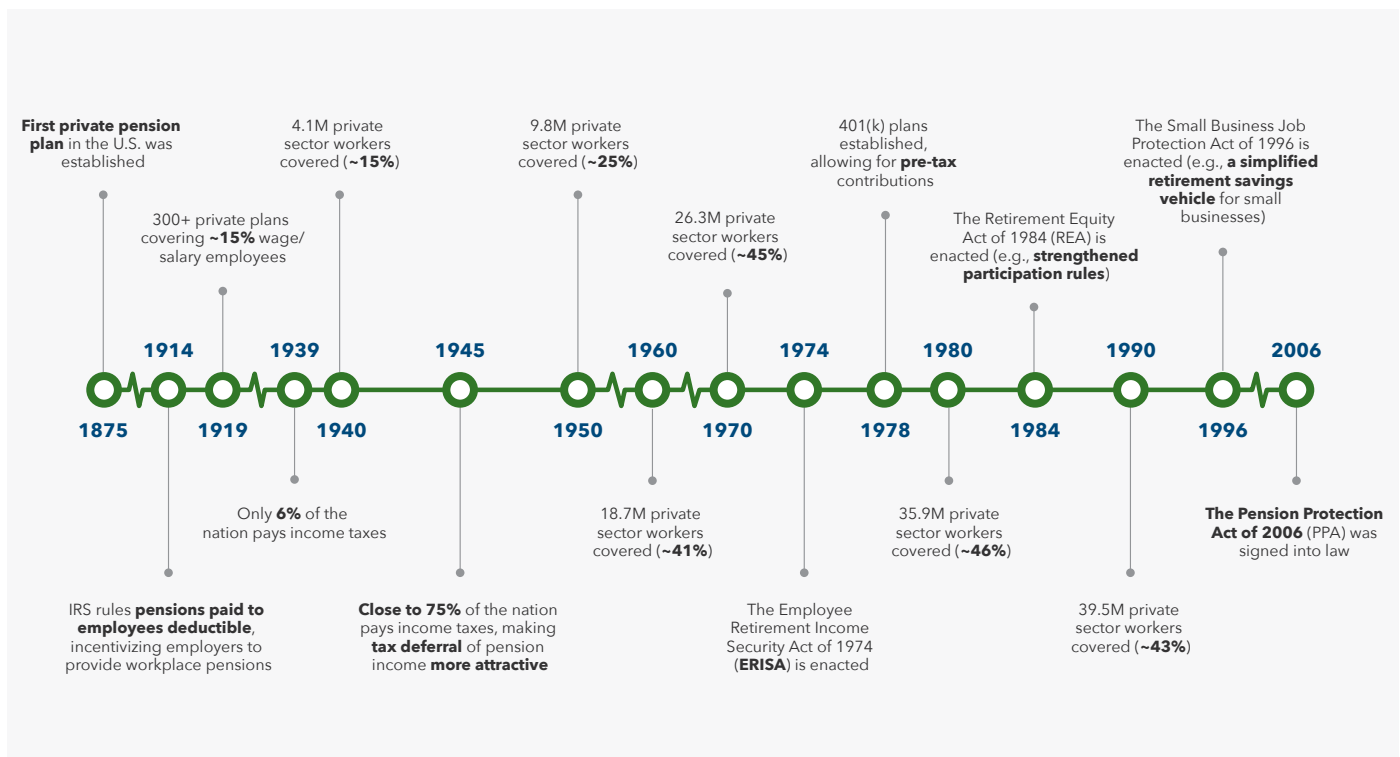


Introduction

An Occupational Safety Net for the 21st Century

The 20th century saw a vast expansion of the economic safety net for workers. Part of that expansion came from government, through the creation of programs for retirement and disability (Social Security), temporary joblessness (Unemployment Insurance), and illness (Medicare and Medicaid). Another part of the expansion came through employers, which built an occupational safety net of private pensions, health insurance, and other forms of workplace-provided benefits to help working Americans deal with some of life's biggest financial needs and risks.

In some ways, the employer-provided safety net was a success. Take retirement security. In the 19th century, the employer-provided retirement plan was a new idea. The first employer-provided pension in the US was established in 1875.¹ By 1950, such plans covered a quarter of private sector workers.² Today such plans serve about half of working Americans,³ serving as a critical supplement to Social Security.



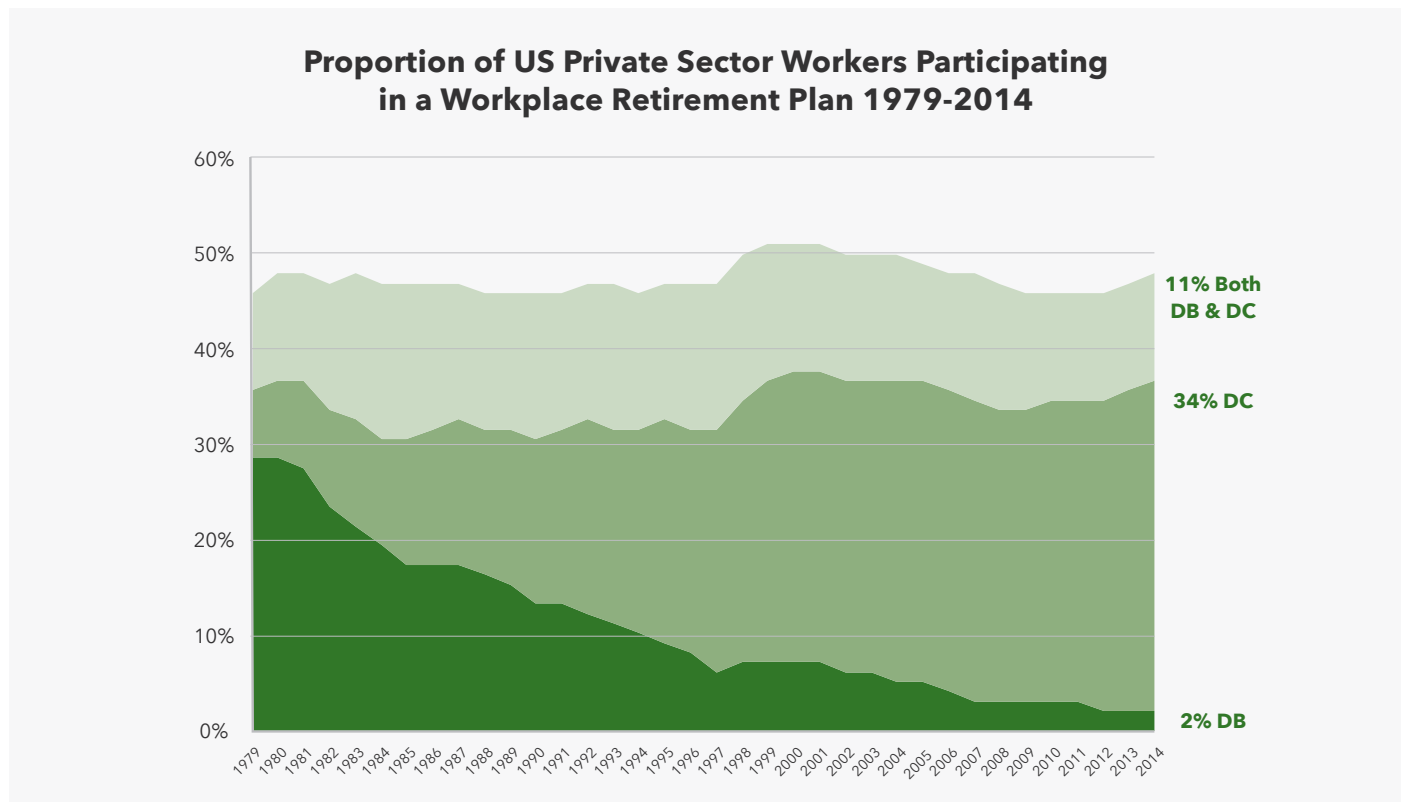
Source: Georgetown University Law Center, "A Timeline of the Evolution of Retirement in the United States", 2010.

¹ Georgetown University Law Center, "A Timeline of the Evolution of Retirement in the United States", 2010. <https://scholarship.law.georgetown.edu/cgi/viewcontent.cgi?article=1049&context=legal>

² Ibid.

³ David John and Gary Koenig, "Workplace Retirement Plans Will Help Workers Build Economic Security", AARP Public Policy Institute, October 2014. <https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf>

For other workers, the employer-provided safety net was always inadequate or inaccessible. This excluded group includes lower- and moderate-income workers, contingent workers, the self-employed, those who work for small businesses, and those who change jobs frequently throughout their careers. These workers are among the at least 55 million⁴ Americans who continue to lack access to a workplace retirement plan – a proportion of the population that has changed little since the 1970s.⁵ Today, the employer-provided safety net faces further headwinds as a mechanism for delivering economic security for working Americans. Companies are less willing to assume financial risk on behalf of their employees, let alone their retired workers, or to invest in employee benefits. Where employers provide retirement benefits, those benefits are increasingly likely to place financial risk on the shoulders of workers; pure defined benefit pensions in the US private sector have become exceedingly rare. Workers are expecting less from their employers in the way of benefits. The proportion of the workforce without a traditional, full-time employment relationship is also growing. Most of the job growth over the past several decades has been in the kinds of jobs – low-wage, precarious – that are less likely to have benefits.



Source: Employee Benefit Research Institute

While it is difficult to predict exactly what will happen to the employer-provided safety net in the future, it is unlikely to grow and may well shrink. This would be regrettable. The workplace has proven to be an effective locus for providing benefits, and the deterioration of the occupational safety net would further undermine financial and economic security in America. Can we adapt the occupational safety net to the evolving nature of work? Not only that, can we strengthen that safety net so it covers workers

⁴ Calculations of the number of Americans without access to a workplace retirement plan vary. The 55 million figure refers to the number of wage and salary workers between the ages of 18 and 64 who do not have payroll deduction to save for retirement (David John and Gary Koenig, "Workplace Retirement Plans Will Help Workers Build Economic Security", AARP Public Policy Institute, October 2014. <https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf>). This likely underestimates the total number of American workers without retirement plan coverage. The National Association of Retirement Plan Participants, for example, cites a figure of 75 million for the number of Americans without an employer-sponsored retirement plan (National Association of Retirement Plan Participants, "There are now two kinds of working Americans: Those who will have the opportunity to retire – and those who won't", Medium, January 14, 2017. <https://medium.com/@NARPP/there-are-now-two-kinds-of-working-americans-those-who-will-have-the-opportunity-to-retire-and-ccf6eb6fdd51>)

⁵ Employee Benefit Research Institute, "FAQs about benefits: what are the trends in defined benefit pension plans?", accessed August 2018.

who tended to be left out of the employer-centric system? Can we build a 21st century occupational safety net that is workplace-based, yet also portable, inclusive, accessible, and high-quality?

This paper aims to tackle this issue for one particular type of financial challenge: retirement. It lays out an opportunity to strengthen the occupational safety net for a 21st century workforce through an expansion of what we call *portable non-employer retirement benefits*. As we will discuss in more detail, portable non-employer retirement benefits are a type of benefit that are workplace-based, but not tied to a single employer. They encompass some kinds of retirement benefits that already exist but are not yet prevalent, as well as others that have yet to be created but that have considerable potential.

The primary aim of portable non-employer retirement benefits is to provide high-quality retirement coverage to workers who do not have access to a workplace retirement plan today, complementing existing efforts to expand retirement plan coverage, including state-based retirement plans in places like California, Oregon, and Illinois. They are also consistent with recent policy efforts to encourage the expansion of multiple employer retirement plans, including what the current administration has called Association Retirement Plans. Although the principal problem portable non-employer retirement benefits aim to solve is lack of coverage, with the right scale and design, portable non-employer retirement benefits also have the potential to improve upon some employer-sponsored plans, thereby assisting those workers who are underserved by the current system.

As we will show, successful examples of portable non-employer retirement benefits already exist both domestically and internationally. Although some are new, others have existed for half a century or more. While not all of them contain all the elements of an ideal portable non-employer retirement benefit, many have achieved meaningful scale and impact, and have been helping their members retire for years. This paper aims to contribute to the development of portable non-employer retirement benefits by

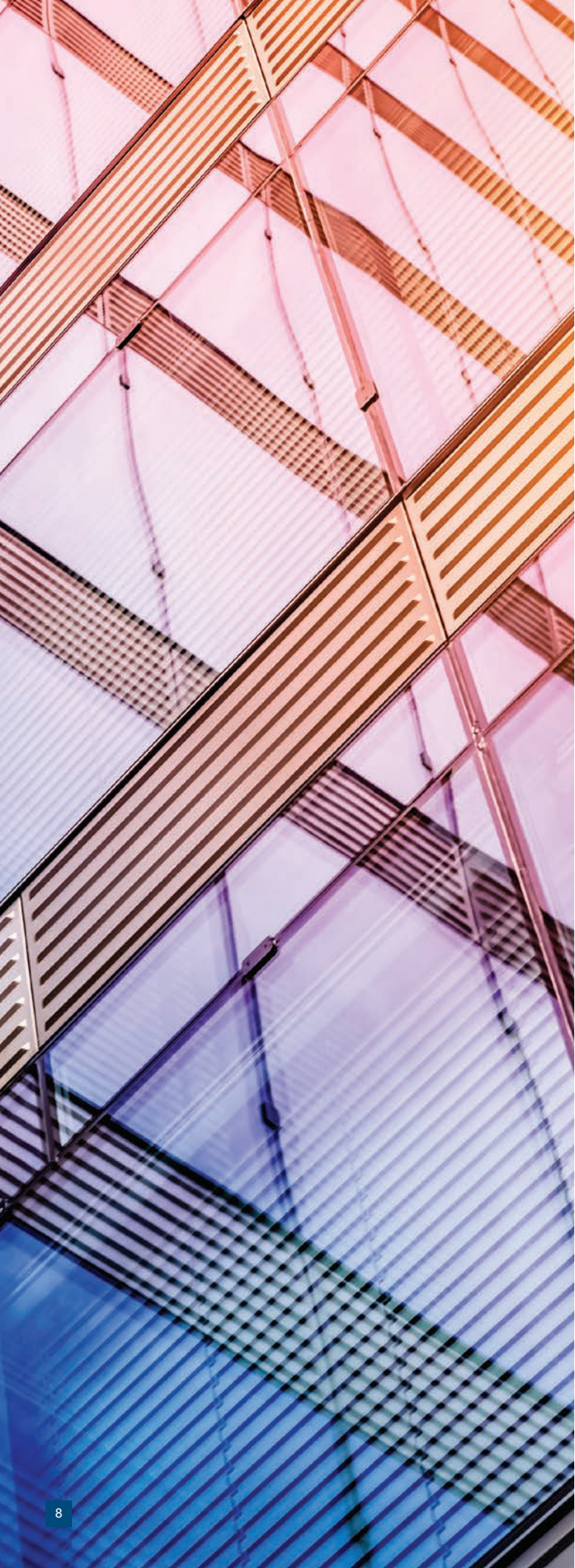
articulating a framework for those thinking of using alternative models to deliver retirement benefits and laying out how an ecosystem around them might evolve to accelerate such development.

The paper has six main parts. First, it sets portable non-employer retirement benefits in the broader context of America's retirement challenge. Second, it describes the kinds of workers who could be served by an expanded market for portable non-employer retirement benefits. Third, it defines portable non-employer retirement benefits, describes the kinds of actors that might sponsor and provide services to support them, and discusses the potential size of an expanded market. Fourth, it explores a number of different options for how portable non-employer retirement benefits

AUDIENCES FOR THIS PAPER

This paper aims to build on deep work initiated across several programs of the Aspen Institute at the intersection of work and wealth. Debates about these interrelated topics too often happen in silos. This paper strives to be relevant to a wide range of stakeholders, including policy makers, leaders of civil society organizations, business and human resource executives, financial services providers, academics, and other participants in the retirement system. It should be of interest to those engaged in work on topics such as:

- Retirement policy and reform
- Portable benefits
- The future of work (and workers)
- Innovation in retirement benefits and products
- Financial wellbeing, financial health, and financial inclusion for low- and moderate-income people
- Wealth inequality
- Job quality
- Inclusive growth and inclusive capitalism
- The future of civil society institutions (organized labor, associations, faith groups)



might be delivered, reviewing six different kinds of models, each of them supported by a case example. Fifth, it discusses some guiding principles for how portable non-employer retirement benefits might be designed and how they might scale. Sixth, it reviews potential next steps in building an expanded market for portable non-employer retirement benefits.

In preparing this paper, we employed a variety of methods:

- Structured interviews with 16 subject matter experts from the US and abroad⁶
- Eight brief case examples of existing portable benefits – five from the US, and one each from Canada, Australia, and the UK
- Research into the origins of the employer-based retirement system, and into the development of analogous markets in Australia and the UK
- A workshop with a group of experts and stakeholders at a session hosted by the Aspen Institute in October 2018 to test and refine our initial ideas

Fundamentally, this paper is about the potential untapped power of a range of non-employer actors to play a role in solving America's retirement security challenge. The case examples lead to the question of how we can encourage more of what has been successfully occurring for decades both in America and abroad for the benefit of those Americans who currently lack access to a retirement plan of any kind.

⁶ See the Appendix for a list of interviewees.

An Opportunity to Address America's Retirement Challenge

Portable non-employer retirement benefits represent an opportunity to strengthen America's retirement system and address the retirement insecurity that many Americans are experiencing. This approach is intended to complement, not compete with, the state-facilitated retirement savings programs that have arguably represented the most significant efforts to improve the American retirement system over the past decade.

Viewed from a global perspective, America's retirement system is seriously underperforming. The most widely cited global ranking of national retirement systems, the Melbourne Mercer Global Pension Index, gave the US a "C" grade, ranking it 19th overall. This puts the US behind not just top-ranked countries such as Denmark, the Netherlands, and Australia, but also behind France (#17) and Chile (#8), and only a few spots ahead of Brazil (#21).⁷

America's poverty rate among seniors, defined as percentage of seniors with incomes less than half of the median household income, is 21 percent, nearly double the Organisation for Economic Co-operation and Development (OECD) average of 12.5 percent.⁸ According to the Center for Retirement Research, about 50 percent of Americans are at risk of not having enough money to maintain their standard of living in retirement.⁹ Three-quarters of Americans are worried about their ability to achieve a secure retirement.¹⁰ Nearly 60 percent of working age Americans do not have a retirement account.¹¹

WHY DOES RETIREMENT SECURITY MATTER?

For those who work on retirement issues every day, the importance of retirement security is intuitive. For everyone else, retirement can be a low-interest, technical topic, one that can lack the immediacy of other seemingly more pressing concerns. Here are three key reasons why retirement security is a critical social and economic issue for America:

- 1. Inequality.** Retirement assets are among Americans' most important sources of wealth. As with other assets, they are highly unequally distributed based on factors such as income, race, and gender. Increasing retirement security is one of the most powerful tools we have to address America's growing wealth gap.
- 2. Insecurity.** Retirement insecurity is a major part of Americans' growing sense of financial and economic anxiety.¹² This insecurity poses a serious threat to America's middle class and, by extension, to its democracy. Strengthening America's retirement system is a powerful lever to reduce rising financial and economic insecurity.
- 3. Cost.** Retirement is one of the most important lines in the budgets of both households and governments. When individuals are unprepared for retirement, this can result in a significant cost to governments.¹³ The financial and economic return on improvements to America's retirement system would be material.

⁷ Mercer, "Melbourne Mercer Global Pension Index 2018", 2018. <https://www.mercer.com.au/our-thinking/mmgpi.html>

⁸ OECD, "Pensions at a Glance 2017", 2017. https://read.oecd-ilibrary.org/social-issues-migration-health/pensions-at-a-glance-2017_pension_glance-2017-en

⁹ Alicia H. Munnell, Wenliang Hou, and Geoffrey T. Sanzenbacher, "National Retirement Risk Index Shows Modest Improvement In 2016", Center for Retirement Research, January 2018. http://crr.bc.edu/wp-content/uploads/2017/12/IB_18-1.pdf

¹⁰ Diane Oakley and Kelley Kenneally, "Retirement Security 2017: A Roadmap for Policy Makers, Americans' Views of the Retirement Crisis and Solutions", National Institute on Retirement Security, February 2017. https://www.nirsonline.org/wp-content/uploads/2017/06/2017_opinion_nirs_final_web.pdf

¹¹ Jennifer Erin Brown, Joelle Saad-Lessler, and Diane Oakley, "Retirement in America: Out of Reach for Working Americans?", National Institute on Retirement Security, September 2018. https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf

¹² For instance, an AARP survey from 2017 found that 74 percent of private sector workers age 18-64 were anxious about not having enough money to live comfortably during their retirement (Brittne Nelson, "2017 AARP Retirement Security National Survey of Employed Adults Ages 18-64", AARP Research, February 2017. <https://www.aarp.org/research/topics/economics/info-2017/2017-retirement-security-national-survey.html>)

¹³ See, for example, Segal Consulting, "State Retirement Savings Initiatives Do More than Enhance Retirement Security for Private Sector Workers", Winter 2017. <https://www.segalco.com/media/2966/data-1-2017.pdf>

America is far from alone in facing these retirement challenges. The World Economic Forum has estimated the size of the global retirement savings gap at more than \$70 trillion and has projected that this could grow to more than \$400 trillion by 2050.¹⁴ But the scale of America's retirement challenges is larger than those of many other developed countries.¹⁵

Perhaps even more importantly, compared to the significant assets America brings to the retirement challenge – world-leading sophistication in technology and capital markets; a relatively centralized regulatory regime; a strong tradition of civil society and association – the US is punching well below its weight. Expanding portable non-employer retirement benefits is a strategy well suited to the American economic and political environment, and can be an important part of helping the US fulfill its potential to have one of the world's best retirement systems.

A Complement to State-Facilitated Retirement Savings Programs

The approach described in this paper is meant to complement, not compete with, the growing number of state-facilitated retirement savings programs. Since 2012, 40 states have taken at least some steps to establish a retirement savings program, and at the time of writing, 11 states and one city had enacted such programs.¹⁶ Oregon's program, OregonSaves, was the first to launch in July 2017. Other state-facilitated programs that have gone live include those in Washington state (opened in March 2018), California (started pilot registration in November 2018), Illinois (began registering employers with over 500 employees in 2018), and Massachusetts (plan for smaller not-for-profits launched in October 2017).¹⁷

The Georgetown University Center for Retirement Initiatives breaks such programs into four categories:

- **Auto-IRAs**, to date the most popular type of state-facilitated program, require employers that do not offer a workplace retirement plan to automatically enroll their employees in a state-facilitated individual retirement arrangement (IRA). A typical auto-IRA would start at a default contribution rate (for example, 5 percent), and automatically increase contributions until they reach a pre-defined maximum, always giving the employee the ability to opt out. Employers generally cannot contribute to such plans. Examples of jurisdictions that have enacted auto-IRAs include Oregon, California, Illinois, Maryland, Connecticut, and Seattle. In some cases, such as the OregonSaves program, the programs are also open to independent workers.
- **Multiple employer plans** are retirement plans that allow smaller employers, and their employees, to participate in a larger-scale 401(k) plan. In contrast to auto-IRAs, participation in these plans is voluntary for employers, and employer contributions are permitted. Examples of state-facilitated multiple employer plans include Massachusetts's CORE Plan for smaller not-for-profit organizations, and Vermont's Green Mountain Secure Retirement Plan, which is aimed at employers with 50 employees or fewer that do not offer a plan.
- **Marketplaces** provide a curated set of retirement plans aimed primarily at those employers and workers who lack access to a workplace plan. The marketplace can include a variety of plan types, including SIMPLE IRAs, payroll deduction IRAs, and 401(k) plans.¹⁸ Examples of states that have enacted retirement marketplaces include Washington and New Jersey.
- **Voluntary payroll deduction IRAs** resemble auto-IRAs, but do not require employers to automatically enroll their workers in the program. New York State's program, enacted in 2018, is an example of such an approach.

¹⁴ World Economic Forum, "We'll Live to 100 – How Can We Afford It?," May 2017. http://www3.weforum.org/docs/WEF_White_Paper_We_Will_Live_to_100.pdf

¹⁵ Ibid.

¹⁶ Georgetown University Center for Retirement Initiatives, "State Initiatives 2018: New Programs Begin Implementation While Others Consider Action", December 2018. <https://cri.georgetown.edu/states/>

¹⁷ Ibid; Georgetown University Center for Retirement Initiatives, "State-Facilitated Retirement Savings Programs: A Snapshot of Plan Design Features", State Brief 18-03, November 30, 2018. https://cri.georgetown.edu/wp-content/uploads/2018/12/FINAL_States_SnapShotPlanDesign12-7-18.pdf

¹⁸ Georgetown University Center for Retirement Initiatives, "State-Facilitated Retirement Savings Programs: A Snapshot of Plan Design Features" (State Brief 18-03, November 30, 2018), https://cri.georgetown.edu/wp-content/uploads/2018/12/FINAL_States_SnapShotPlanDesign12-7-18.pdf.

State-facilitated programs have much in common with the kind of portable non-employer retirement benefits that are defined in a later section of this paper. State-facilitated programs and portable non-employer retirement benefits aim to solve a similar problem, recognize the limits of the single-employer-based system, and apply some of the same design principles. Because state-facilitated programs have been comprehensively discussed elsewhere,¹⁹ they will not be addressed in detail in this paper.



There are several ways in which portable non-employer retirement benefits could act as complements to state-facilitated programs. Where a state offers an auto-IRA, portable non-employer retirement benefits could serve as an alternative for employers that wish to make a matching contribution or are looking for some other plan feature that the auto-IRA does not offer. Where the state creates a marketplace, portable non-employer retirement benefits could constitute one of the offerings within it. Where the state helps establish a multiple employer plan, a portable non-employer retirement benefit sponsored by some non-governmental entity could serve as an alternative to help increase aggregate demand for retirement plans among employers and workers without retirement plans, or as an intermediary for those independent workers without employers to automatically enroll them. In jurisdictions where no state-facilitated program yet exists, successful examples of portable non-employer retirement benefits could serve as positive case examples to encourage states to introduce programs to further extend coverage.

Further, if some of the actors described in this paper, including associations, unions, or not-for-profit groups, were to become more involved in retirement security issues, they might also help workers or employers navigate state-facilitated retirement savings programs. A recent example of such collaboration is occurring in California, where the Laura and John Arnold Foundation recently announced a \$1.1 million grant to the United Ways of California and Small Business Majority to support the launch of CalSavers.²⁰

¹⁹ Excellent resources on state-facilitated initiatives are available through the Georgetown Center for Retirement Initiatives (see <https://cri.georgetown.edu>) and AARP's Public Policy Institute (<https://www.aarp.org/ppi/state-retirement-plans/>). For a discussion on the evolution of the state-facilitated model since it was first introduced into mainstream policy debate, see National Conference on Public Employee Retirement Systems, "Secure Choice 2.0: States blazing a path to retirement security for all", 2017. https://www.ncpers.org/files/2017_SecureChoice2%200_final.pdf

²⁰ Laura and John Arnold Foundation, "Arnold Foundation supports new retirement savings program in California", October 4, 2018. <http://www.arnoldfoundation.org/arnold-foundation-supports-new-retirement-savings-program-in-california/>

The Potential Audience for Portable Non-Employer Retirement Benefits: The Uncovered and Underserved

Who are the people who are uncovered or underserved by the occupational retirement system? We break these groups into four categories: lower- and moderate-income employees, employees of small and medium-sized organizations, the self-employed, and contingent workers.

GROUP	SIZE ²¹	RETIREMENT PLAN COVERAGE/ACCESS	WHY UNCOVERED OR UNDERSERVED?
Lower- and Moderate-Income Employees	89 million workers earn less than \$25,000, and 53 million workers earn between \$25,000 and \$45,000 ²²	32 percent of workers with incomes less than \$25,000 have access to a workplace retirement plan ²³	<ul style="list-style-type: none"> • Work in sectors that are less likely to have benefits • Work part-time or on short-term contracts and therefore do not have access to benefits • Service providers can place little emphasis on this group because they have few assets
Employees of Small and Medium-Sized Organizations	There are 30 million small and medium-sized businesses (defined as firms employing fewer than 500 employees) that consist of 59 million workers ²⁴	32 million workers in businesses with fewer than 100 workers lack access to a workplace retirement plan ²⁵	<ul style="list-style-type: none"> • Smaller and medium-sized employers are less likely to offer retirement plans, due to the cost, administrative burden, legal risk, and other factors • For smaller employers that do offer a plan, the options available on the market are often costlier than those available to larger employers, due to lack of scale
The Self-Employed	There are 15 million self-employed people ²⁶	88 percent of self-employed Americans are not covered by a workplace retirement plan ²⁷	<ul style="list-style-type: none"> • Not eligible for most employer-sponsored retirement plans • Likely no easy access to an automatic deduction mechanism equivalent to payroll
Contingent Workers	25 percent-30 percent of workers engage in independent work either on a primary or supplementary basis; ²⁸ 10 percent of workers, or 15.5 million people, rely on an alternative arrangement as their main source of income ²⁹	Contingent workers are 68 percent less likely than standard workers to participate in a workplace retirement plan ³⁰	<ul style="list-style-type: none"> • Have volatile income • Employers fear providing benefits will confer employee status • Do not have a stable employer, but rather a series of “gigs” • Likely no easy access to an automatic deduction mechanism equivalent to payroll • Not eligible for most employer-sponsored retirement plans

²¹ Given the overlap between the four worker categories, these figures should not be totalled, but rather should serve as a directional indication of uncovered or underserved workers.

²² United States Census Bureau, “PINC-02. Marital Status-People 18 Years Old and Over, by Total Money Income, Work Experience, Age, Race, Hispanic Origin, and Sex”, 2017. <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-02.html>

²³ Pew Charitable Trusts, “Who’s In, Who’s Out: A look at access to employer-based retirement plans and participation in the states”, January 2016. https://www.pewtrusts.org/~media/assets/2016/01/retirement_savings_report_jan16.pdf

²⁴ US Small Business Administration Office of Advocacy, “United States Small Business Profile, 2018”, 2018. <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

²⁵ David John and Gary Koenig, “Workplace Retirement Plans Will Help Workers Build Economic Security”, AARP Public Policy Institute, October 2014. <https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf>

²⁶ Steven F. Hipple and Laurel A. Hammond, “Self-Employment in the United States”, US Bureau of Labor Statistics, March 2016. <https://www.bls.gov/spotlight/2016/self-employment-in-the-united-states/pdf/self-employment-in-the-united-states.pdf>

²⁷ Teresa Ghilarducci, “Workplace Retirement Coverage Drops and the System Continues to Fail”, Forbes, October 15, 2018. <https://www.forbes.com/sites/teresaghilarducci/2018/10/15/workplace-retirement-plan-coverage-continues-to-drop-and-fail/#2f7e212b62e4>



These four constituencies do not encompass all of the key drivers of retirement plan access and coverage. For instance, some of the largest differences in coverage are by race and ethnicity. White Americans are more likely to have access to a retirement plan. One of the largest gaps relates to Hispanic workers, for whom access to a plan is around 25 percentage points lower than for white, non-Hispanic workers.³¹

Lower- and Moderate-Income Employees

Lower- and moderate-income employees are one of the largest groups of uncovered and underserved Americans. One hundred forty-two million American workers earn less than \$45,000 per year.³² Many have saved very little or nothing for retirement. According to the US Government Accountability Office, only 9 percent of households age 55-64 in the bottom quintile

had saved anything for retirement. While 42 percent of households age 55-64 in the second quintile have retirement savings, their median retirement savings are just \$19,000.³³ A recent calculation by the AARP Public Policy Institute found that 21 percent of households that earn less than \$21,000 a year, and 51 percent of households that earn less than \$41,035 a year, own a retirement account.³⁴ A study by the Pew Charitable Trusts found that only 32 percent of workers with incomes less than \$25,000 had access to a retirement plan at the workplace, compared to 75 percent of workers with incomes above \$100,000, and that just 20 percent of those in the lower-income group participate in a plan.³⁵ A recent study from the US Federal Reserve found that only 43.6 percent of those with family incomes below \$40,000 had any retirement savings, compared to 86.7 percent of those with family incomes between \$40,000 and \$100,000.³⁶

²⁸ Gig Economy Data Hub, "How many gig workers are there?", accessed November 2018. <https://www.gigeconomydata.org/basics/how-many-gig-workers-are-there>

²⁹ Karen Kosanovich, "A Look At Contingent Workers", US Bureau of Labor Statistics, September 2018. <https://www.bls.gov/spotlight/2018/contingent-workers/pdf/contingent-workers.pdf>; Alastair Fitzpayne, Shelly Steward, and Ethan Pollack, "Five Takeaways from the 2017 Contingent Worker Supplement", The Aspen Institute, June 8, 2018. <https://www.aspeninstitute.org/blog-posts/five-takeaways-from-2017-contingent-worker-supplement/>

³⁰ US Government Accountability Office, "Contingent Workforce: Size, Characteristics, Earnings, and Benefits", April 20, 2015. <https://www.gao.gov/assets/670/669766.pdf>

³¹ Pew Charitable Trusts, "Who's In, Who's Out: A look at access to employer-based retirement plans and participation in the states", January 2016. https://www.pewtrusts.org/~media/assets/2016/01/retirement_savings_report_jan16.pdf

³² United States Census Bureau, "PINC-02. Marital Status-People 18 Years Old and Over, by Total Money Income, Work Experience, Age, Race, Hispanic Origin, and Sex", 2017. <https://www.census.gov/data/tables/time-series/demo/income-poverty/cps-pinc/pinc-02.html>

³³ US Government Accountability Office, "Retirement Security: Most Households Approaching Retirement Have Low Savings", May 2015. <https://www.gao.gov/assets/680/670153.pdf>

³⁴ Jennifer Erin Brown and David John, "Improving the Saver's Credit for Low- and Moderate-Income Workers", AARP Public Policy Institute, September 2017. <https://www.aarp.org/content/dam/aarp/ppi/2017/09/improving-the-savers-credit-for-low-and-moderate-income-workers.pdf>

³⁵ Pew Charitable Trusts, "Who's In, Who's Out: A look at access to employer-based retirement plans and participation in the states", January 2016. https://www.pewtrusts.org/~media/assets/2016/01/retirement_savings_report_jan16.pdf

³⁶ Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of US Households in 2016", May 2017. <https://www.federalreserve.gov/publications/files/2016-report-economic-well-being-us-households-201705.pdf>



Employees of Small and Medium-Sized Organizations

Smaller and medium-sized employers are less likely to offer retirement plans to their employees. A recent study by Pew explored retirement plan coverage among the small business community, including employer motivations for offering, or declining to offer, retirement benefits.³⁷ The study found that just more than half – 53 percent – of smaller and medium-sized businesses offered retirement benefits to their employees. Another Pew study found that just 22 percent of workers at firms with fewer than 10 employees had access to a workplace retirement plan, compared to 74 percent at firms with 500 or more employees.³⁸ The AARP Public Policy Institute calculates that there are 32 million workers at small businesses who do not have access to a retirement plan.³⁹

According to Pew, the main reasons employers cited for why they did not offer retirement benefits were the cost of setting up a plan (37 percent), the lack of administrative resources (22 percent), and the lack of employee interest (17 percent).⁴⁰ Small and medium-sized employers were more likely to offer a plan if they were larger (with the probability of offering a plan reaching 80 percent at around the 100-employee

mark) and more well-established (for businesses that had been around 15 years or more, their likelihood of offering a retirement plan was more than 50 percent).⁴¹ Those smaller and medium-sized businesses that do offer a plan are unlikely to take advantage of pro-savings tools, such as automatic enrollment and automatic escalation.⁴²

The Self-Employed

A critical part of the uncovered population are those without a stable employment relationship – a group sometimes referred to as independent workers. This report divides these workers into two categories: the self-employed and contingent workers. Although there is some technical overlap between the two categories (some contingent workers are considered self-employed for taxation and legal purposes), the primary distinction between them in this paper relates to the precarity of the workers' financial and economic situations.

Self-employed workers, as conceived of here, are generally professionals or business owners, with relatively greater earning power, wealth, and control over their lives. According to the Bureau of Labor Statistics (BLS), there are 15 million self-employed people in the US⁴³ Although

³⁷ Pew Charitable Trusts, "Employer Barriers to and Motivations for Offering Retirement Benefits", June 2017. https://www.pewtrusts.org/-/media/assets/2017/09/employer_barriers_to_and_motivations.pdf

³⁸ Pew Charitable Trusts, "Who's In, Who's Out: A look at access to employer-based retirement plans and participation in the states", January 2016. https://www.pewtrusts.org/-/media/assets/2016/01/retirement_savings_report_jan16.pdf

³⁹ David John and Gary Koenig, "Workplace Retirement Plans Will Help Workers Build Economic Security", AARP Public Policy Institute, October 2014. <https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf>

⁴⁰ Pew Charitable Trusts, "Employer Barriers to and Motivations for Offering Retirement Benefits", June 2017. https://www.pewtrusts.org/-/media/assets/2017/09/employer_barriers_to_and_motivations.pdf

⁴¹ Ibid.

⁴² Ibid.

⁴³ Steven F. Hipple and Laurel A. Hammond, "Self-Employment in the United States", US Bureau of Labor Statistics, March 2016. <https://www.bls.gov/spotlight/2016/self-employment-in-the-united-states/pdf/self-employment-in-the-united-states.pdf>

the BLS has shown a gradual decrease in self-employment over the past two decades – a decline the BLS attributes to the shrinking of the agricultural workforce – other assessments show the opposite trajectory. The accounting software firm FreshBooks, for instance, projects that the number of self-employed Americans could triple by 2020, with another 27 million Americans leaving traditional work to become independent.⁴⁴ The Freelancers Union estimates the number of independent workers in the US today at 55 million.⁴⁵ For the purposes of this report, some of this independent workforce is more properly considered part of the contingent workforce, to be further discussed below.

The self-employed are less likely than most workers to have access to a workplace retirement plan.⁴⁶ According to Teresa Ghilarducci, only 12 percent of self-employed Americans are covered by such a plan.⁴⁷ Many of the self-employed are not on track to maintain their standard of living in retirement.⁴⁸ A recent study by Aegon and Transamerica found that 56 percent of the self-employed expect to retire past age 65 or not at all, and only 36 percent always make sure they are saving for retirement.⁴⁹

Unlike some of the other uncovered groups, self-employed professionals tend to have higher incomes and asset levels. Even if they are not saving enough for retirement, they are likely to be saving something. They are also likely to have access to a wider array of financial services. For this segment of independent workers then, the value of a portable non-employer retirement benefit stems less from saving for retirement for the first time, and more from the greater efficiency and financial security that is typically associated with a workplace-based retirement arrangement.



⁴⁴ FreshBooks, "Second Annual Self-Employment Report", 2018. https://www.freshbooks.com/_themes/freshbooks/brand-assets/2018selfemploymentreport.pdf

⁴⁵ Freelancers Union, "About Sara Horowitz", accessed November 2018. <https://www.freelancersunion.org/about/sara-horowitz/>

⁴⁶ Joelle Saad-Lessler, Teresa Ghilarducci, and Kate Bahn, "Are US Workers Ready for Retirement?", Schwartz Center for Economic Policy Analysis - The New School, 2015. http://www.economicpolicyresearch.org/images/docs/research/retirement_security/Are_US_Workers_Ready_for_Retirement.pdf

⁴⁷ Teresa Ghilarducci, "Workplace Retirement Coverage Drops and the System Continues to Fail," Forbes October 15, 2018. <https://www.forbes.com/sites/teresaghilarducci/2018/10/15/workplace-retirement-plan-coverage-continues-to-drop-and-fail/#13ad5aee62e4>

⁴⁸ Joelle Saad-Lessler, Teresa Ghilarducci, and Kate Bahn, "Are US Workers Ready for Retirement?", Schwartz Center for Economic Policy Analysis - The New School, 2015. http://www.economicpolicyresearch.org/images/docs/research/retirement_security/Are_US_Workers_Ready_for_Retirement.pdf

⁴⁹ Aegon Center for Longevity and Retirement, and Transamerica Center for Retirement Studies, "Retirement Preparations in a New Age of Self-Employment", 2016. <https://www.aegon.com/contentassets/96b24267a54849309f492485832cff9f/retirement-self-employed-report.pdf>

Contingent Workers

“Contingent workers” is a broad term that is defined differently in different places. As suggested by the name, the occupational situations of these workers are often marked by insecurity and uncertainty. The contingent workforce includes those who are often referred to as “gig workers,” but is much broader. The International Labour Organization describes a similar category which it calls “non-standard employment,” which includes temporary employment, part-time employment, multi-party employment, “disguised” employment (where someone is hired as a contractor but controlled like an employee), and self-employed workers who are highly dependent on a small number of clients.⁵⁰

Calculations of the size of the contingent workforce vary widely. A recent survey from the BLS found that there were 5.9 million contingent workers in the United States, as well as about 15.5 million workers in “alternative employment arrangements” (including 10.6 million independent contractors, 2.6 million on-call workers, 1.4 million temporary help agency workers, and 933,000 workers provided by contract firms).⁵¹ BLS data may underestimate the size of the contingent workforce. A commentary from The Century Foundation argues that the BLS survey is limited because it counts workers as contingent or alternative only if they rely on such an arrangement for their main job, therefore missing those who do contingent or

alternative work on the side.⁵² A widely-cited 2016 study by economists Lawrence Katz and Alan Krueger found that those in alternative work arrangements were close to 16 percent of the workforce,⁵³ compared to the BLS estimate of about 10 percent, although recently the authors revised their estimates and stated that the 2016 study overestimated the number of gig workers.⁵⁴ It appears that contingent workers struggle with retirement security.⁵⁵ A 2015 study by the US Government Accountability Office found that contingent workers are 68 percent less likely than standard workers to participate in a workplace retirement plan.⁵⁶ Compared to other types of workers, contingent workers were also about half as likely to be eligible for workplace retirement plans.⁵⁷ The Employee Retirement Income Security Act (ERISA)⁵⁸ does not allow non-employees to join 401(k)s and the other kinds of workplace retirement plans that fall under its purview.



⁵⁰ International Labour Organization, “InfoStory: The rising tide of non-standard employment”, May 2017. <https://www.ilo.org/infostories/en-GB/Stories/Employment/Non-Standard-Employment>

⁵¹ US Bureau of Labor Statistics, “Contingent and Alternative Employment Arrangements Survey”, June 7, 2018. <https://www.bls.gov/news.release/pdf/conemp.pdf>

⁵² Amanda Novello and Andrew Stettner, “New Data on Contingent and Alternative Employment Hides Mounting Job Quality Issues”, The Century Foundation, June 19, 2018. <https://tcf.org/content/commentary/new-data-contingent-alternative-employment-hides-mounting-job-quality-issues/>

⁵³ Lawrence Katz and Alan Krueger, “The Rise and Nature of Alternative Work Arrangements in the United States, 1995-2015”, Working Paper 22667, National Bureau of Economic Research, September 2016. <https://www.nber.org/papers/w22667.pdf>

⁵⁴ The Wall Street Journal, “How Estimates of the Gig Economy Went Wrong”, January 7, 2019. <https://www.wsj.com/articles/how-estimates-of-the-gig-economy-went-wrong-11546857000>

⁵⁵ For a more detailed analysis, see William Gale, Sarah Holmes, and David John, “Retirement Plans for Contingent Workers: Issues and Options”, Brookings Institution, September 23, 2016. <https://www.brookings.edu/wp-content/uploads/2016/09/rsp923paper1-1.pdf>

⁵⁶ US Government Accountability Office, “Contingent Workforce: Size, Characteristics, Earnings, and Benefits”, April 20, 2015. <https://www.gao.gov/assets/670/669766.pdf>

⁵⁷ US Bureau of Labor Statistics, “Contingent and Alternative Employment Arrangements Survey”, June 7, 2018. <https://www.bls.gov/news.release/pdf/conemp.pdf>

⁵⁸ ERISA is a federal law that sets minimum standards for most workplace retirement plans, including 401(k) plans and private pension plans. ERISA imposes fiduciary responsibilities on those who manage and control plan assets, requires the provision of information to plan members, and sets rules relating to participation, vesting, benefit accrual, and funding. ERISA does not generally apply to retirement plans established by governments (for example, state and local government pension plans).

Defining Portable Non-Employer Retirement Benefits

What are Portable Non-Employer Retirement Benefits?

Portable non-employer retirement benefits are retirement benefits that are workplace-based but not tied to a particular job or employer. They are consistent with the broader concept of “portable benefits” that has been developed over the past several years.⁵⁹ As defined in a recent paper, portable benefits are based on three tenets:⁶⁰

- They are portable and owned by the worker, rather than being tied to any particular job or employer
- Contributions to the benefit are prorated depending on how much the worker earns or works, and the benefit can accommodate contributions from multiple sources
- They are open to both independent workers and traditional employees

Similarly, portable non-employer retirement benefits would ideally move with workers from job to job, would be able to accommodate contributions from different sources, and would be accessible to both employees and independent workers. Further, whereas most traditional workplace retirement benefits are sponsored by a single employer, portable non-employer retirement benefits can be sponsored by one or more of a wide variety of organizations that are occupationally related, but not necessarily employers. These can include professional associations, trade associations, unions, and more.

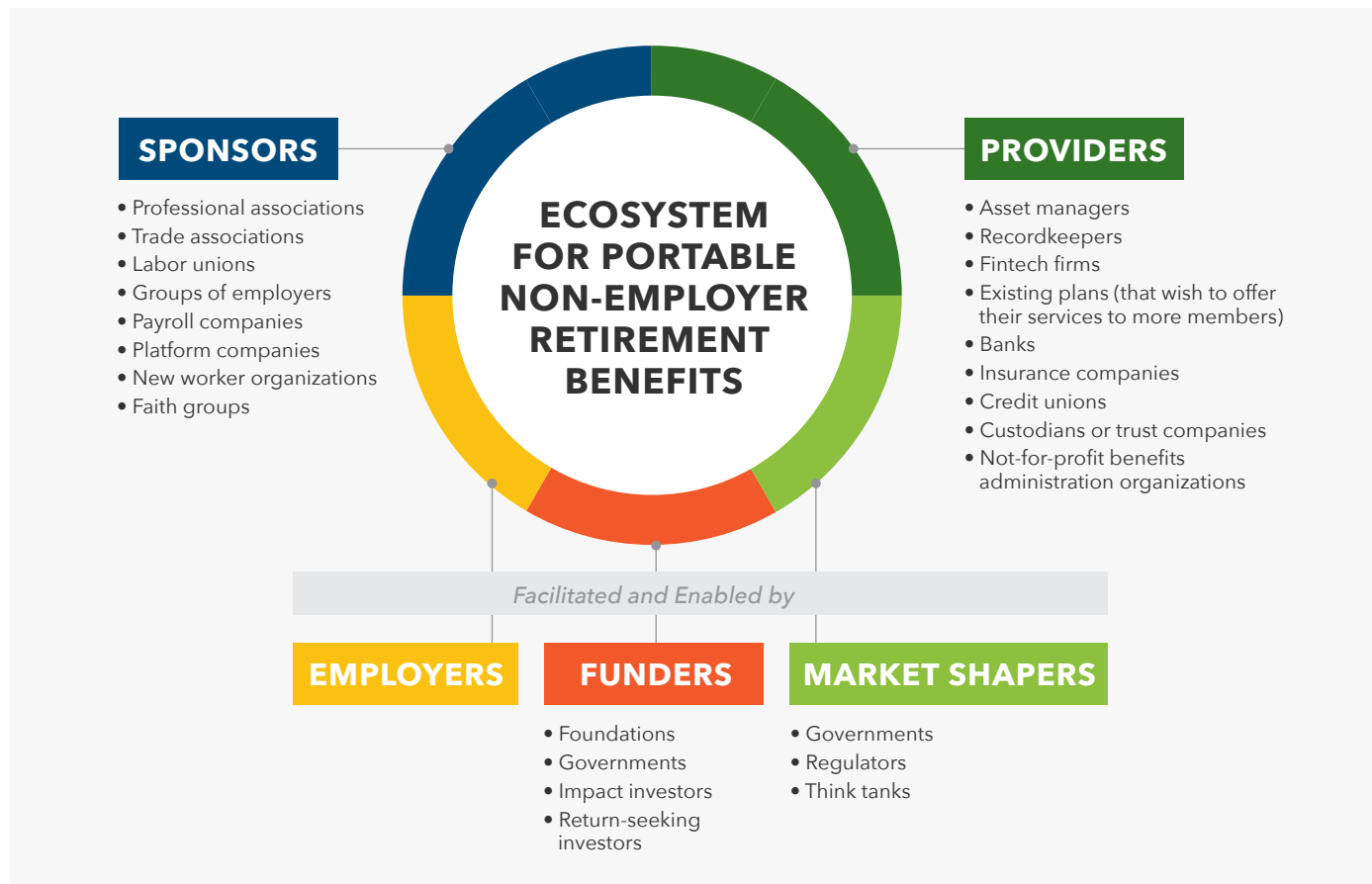
SINGLE-EMPLOYER RETIREMENT BENEFITS	PORTABLE NON-EMPLOYER RETIREMENT BENEFITS
Sponsored by a single employer	Sponsored by one or more of a wide variety of organizations, including professional associations, trade associations, unions, and more
Tied to a single job and/or employer	Owned by the worker and portable from job to job
Can accommodate contributions from a single employer and from the worker	Can accommodate contributions from multiple employers and/or sources of earnings, as well as from the worker
Accessible only to traditional employees	Accessible to both traditional employees and independent workers

This paper envisions portable non-employer retirement benefits as a category of institution that should be expanded and thought about from a new perspective – one that can supplement and fill in gaps not covered by the single-employer-based system. Just as the institution of the company pension plan succeeded in covering tens of millions of American workers in the 20th century, so too the institution of the portable non-employer retirement benefit might make a significant dent in the coverage problem in the 21st.

⁵⁹ See, for example, David Rolf, Shelby Clark, and Corrie Watterson Bryant, “Portable Benefits in the 21st Century: Shaping a New System of Benefits for Independent Workers”, The Aspen Institute Future of Work Initiative, 2016. https://assets.aspeninstitute.org/content/uploads/files/content/upload/Portable_Benefits_final2.pdf

⁶⁰ Ibid.

The term *institution* serves as an alternative to the terms *plan* and *product*. *Institution* connotes scale, societal importance, and longevity – all key aspirations for these benefits to be successful.⁶¹ We do not call them *plans* because plans are often associated with particular regulatory categories, such as 401(k)s, 403(b)s, or payroll deduction IRAs. As we will discuss, portable non-employer retirement benefits do not necessarily require the creation of new regulatory categories, and they could be constituted under one of several different kinds of categories and still be considered a portable non-employer retirement benefit. We do not refer to them as *products* because that suggests something that a company produces for sale, whereas portable non-employer retirement benefits are likely to require collaborations among multiple actors, including a wide range of potential sponsors and providers, as summarized in the figure below and discussed in more detail later in the report.



Many of the elements of portable non-employer retirement benefits are not new, even if existing examples of such benefits are rarely called by that name. Existing retirement arrangements in both the US and abroad have elements of the arrangements discussed here. For example, pension plans involving multiple employers and unions – often known as multiemployer plans – have existed for decades in industries like construction and film and television, although a significant minority of these plans now face severe funding problems. More recently, another type of retirement plan involving more than one employer has become common – the multiple employer plan. Unlike multiemployer plans, these plans are not collectively bargained and do not involve unions. IRA-based plans involving multiple employers have also recently begun to emerge. Many state-facilitated programs, including those in California, Illinois, and Oregon, are using the payroll deduction IRA, which has advantages relating to cost and ease of administration, and can provide adequate contribution room for many uncovered constituencies.

⁶¹ For a detailed historical discussion that examines private pensions as institutions, see Steven Sass, “The Promise of Private Pensions: The First Hundred Years”, 1997.

The names for these different kinds of plans can be confusing. The table below attempts to explain how they differ. But they all have something in common that aligns with the definition of portable non-employer retirement benefits above: they need not be tied to a single employer.

Explainer: The Multiple Names for Retirement Plans Involving Multiple Employers

PLAN TYPE	DESCRIPTION
Multiple Employer Plan (MEP)	A retirement plan involving several employers. Historically, MEPs have tended to be limited to groups where the employers share some commonality of interest or Professional Employer Organizations (PEOs) that share a co-employer relationship with their clients. ⁶² More recently, proposals have emerged to encourage unrelated employers and other groups to offer MEPs.
Closed MEP	A term sometimes used to describe multiple employer plans that require some commonality of interest among the participating employers.
Open MEP	A term sometimes used to describe multiple employer plans where the participating employers do not share a common bond. As of the time of writing, open MEPs remain a policy proposal and are not currently permitted under federal law.
Association Retirement Plan	A term used to describe a type of multiple employer plan sponsored by an employer group, an association, or a PEO. The Department of Labor has used this term in its recent proposal for regulatory reform regarding multiple employer plans. ⁶³
Multiemployer Plan	A collectively bargained retirement plan also commonly known as a Taft-Hartley plan. The plan involves multiple employers and a union, usually within the same or related industries, and has a governance structure comprised of a combination of employee representatives and employer representatives. ⁶⁴
Payroll Deduction IRA	A simple retirement plan in which employees can make contributions into an IRA directly from their paychecks. Employers do not contribute to such plans. The payroll deduction IRA is being used as the basis for several state-facilitated auto-IRA programs, including OregonSaves, CalSavers, and Illinois Secure Choice.

The plan types described in the above table do not necessarily encompass all of the possible regulatory categories under which portable non-employer retirement benefits could be established. Further, legislators might in the future create additional plan types that could also be considered part of a portable non-employer retirement benefits market. As mentioned above, the idea here is to describe a type of institution, not a particular regulatory category.

Similarly, being in one of the regulatory categories described above is not necessarily sufficient to be considered a portable non-employer retirement benefit, particularly as one considers the kinds of benefits that are likely to be viable in the present environment. Multiemployer defined benefit plans provide a good example of this. Such plans are useful to discuss because they have some of the

⁶² Phil Waldeck, Robert J. Doyle, and John J. Kalamarides, "Closing the Retirement Savings Coverage Gap", Prudential, 2018. http://www3.prudential.com/email/retirement/IMFPWeb/hosted_documents/1011640-00001-00.pdf

⁶³ See, for example, Employee Benefits Security Administration, "Definition of 'Employer' under Employee Benefits Retirement Income Security Act - Association Retirement Plans and Other Multiple-Employer Plans", 2018. <https://www.regulations.gov/document?D=EBSA-2018-0007-0001>

⁶⁴ Pension Benefit Guaranty Corporation, "Introduction to Multiemployer Plans", accessed December 2018. <https://www.pbgc.gov/prac/multiemployer/introduction-to-multiemployer-plans>

characteristics of the portable non-employer retirement benefits envisioned here: they are not tied to a single employer; they involve a variety of sponsors including unions and multiple employers; they are portable, at least to some degree, within a particular industry; and they were conceived to expand retirement plan coverage within industries with coverage gaps.

That said, given the present challenges facing multiemployer defined benefit plans, this paper is not recommending that portable non-employer retirement benefits follow that particular plan design. The sustainability issues facing some multiemployer plans are well documented. A report from the Society of Actuaries projects that 107 multiemployer plans will run out of assets in the next 20 years, affecting over 11,000 employers and about 875,000 participants.⁶⁵ Such sustainability challenges are the product of a range of factors, including shrinking industries, declining union density, the regulatory environment, a rising number of inactive members, and in some cases, suboptimal plan governance and management.⁶⁶ It seems highly unlikely that plan sponsors looking to create portable non-employer retirement benefits for the 21st century would choose to replicate a multiemployer defined benefit structure. This does not mean, however, that there are not principles from these arrangements that can be usefully adapted to the present economic and labor market context. Untethering discussion of portable non-employer retirement benefits from particular regulatory categories helps avoid throwing out the baby with the bathwater.

Potential Sponsors

One thing that distinguishes a portable non-employer retirement benefit from a single-employer-based retirement plan is its sponsor. An employer-based retirement arrangement is sponsored by a single employer. By contrast, a wide range of actors could potentially sponsor



a portable non-employer retirement benefit. Sponsors are responsible for establishing the benefit, making it available to their constituencies, and providing fiduciary oversight over it. Examples of sponsors that we highlight in this paper include one or some combination of the following:

- **Professional associations**, which might sponsor a retirement benefit for members of a profession
- **Trade associations**, which might sponsor a retirement benefit for their industry, sector, or other community of interest
- **Labor unions**, which might sponsor a retirement benefit for their current or prospective members

⁶⁵ Lisa Schilling and Patrick Wiese, "US Multiemployer Pension Plan Pending Insolvencies", Society of Actuaries, May 2018. <https://www.soa.org/Files/resources/research-report/2018/us-multiemployer-pension-plan.pdf>

⁶⁶ See, for example, Alicia H. Munnell, Jean-Pierre Aubry, and Caroline V. Crawford, "Multiemployer Pension Plans: Current Status and Future Trends", Center for Retirement Research, December 2017. https://mycentralstatespension.org/-/media/Pension/PDFs/Pension-Crisis/multiemployer_special_report_Boston-College.pdf?la=en&hash=778E9A76F63564833ED60EB27CDB80F296BCAEF6; US Chamber of Commerce, "The Multiemployer Pension Plan Crisis: The History, Legislation, and What's Next?", December 2017. https://www.uschamber.com/sites/default/files/multiemployer_report_-_chamber_final.pdf

- **Groups of employers**, which might band together to sponsor a retirement benefit for workers in their industry, sector, or geography, or which simply wish to cooperate in order to achieve scale efficiencies in delivering retirement benefits
- **Payroll companies**, which might sponsor a retirement benefit for those organizations, especially small and medium-sized businesses, that use their services. These could include Professional Employer Organizations (PEOs)
- **Platform companies** that rely on independent workers, which might sponsor a retirement benefit for those workers who use their platform
- **New worker organizations**,⁶⁷ which might sponsor a retirement benefit for the workers they serve and/or are aiming to serve
- **Faith groups**, which might offer a retirement benefit to members of their faith communities

This is not a comprehensive list of institutions that might sponsor retirement benefits for uncovered workers. Other examples that have been proposed include financial services firms, alumni associations, and community service organizations. Nor does it include governments, which are currently serving as sponsors of plans through state-facilitated programs. This paper focuses largely on potential sponsors that have an occupational character, or some link to the workplace, and that have not been extensively discussed elsewhere.

While each of these groups is different, there are a few main reasons why these kinds of groups can be good sponsors for a retirement benefit.

First, workers may remain attached to these groups for longer than they remain attached to a single employer. Longer periods of attachment

are well aligned with the long time horizon associated with retirement finance. This is one reason why company pensions worked well when workers often stayed with one employer for their entire careers.

Second, the large size of many of these groups means they are capable of creating larger-scale retirement benefits. Scale is an important value driver when it comes to pensions and retirement plans.⁶⁸

Third, for many of these groups, creating value and economic security for members is a key priority, meaning they may be more likely to spend the effort and resources necessary to provide a high-quality retirement benefit than many employers are.

Finally, many of these groups have some combination of tools and associational bonds that can help them be more effective at encouraging participation in a retirement plan, compared to workers navigating the financial services marketplace in more of a do-it-yourself environment. Considerable evidence suggests that access to a workplace retirement plan is an important determinant of retirement outcomes, and that the likelihood of Americans achieving a secure retirement solely through self-initiated approaches such as IRAs is low.⁶⁹

Further on, we discuss how a portable non-employer retirement benefit might work for many of these groups, as well as the opportunities and challenges associated with each. Broadly speaking, however, a number of factors, summarized in the table below, are likely to affect the ability of a sponsor or sponsors to deliver and grow a successful portable non-employer retirement benefit:

⁶⁷ Organizations that may not play all the roles of a traditional labor union but still aim to promote the interests of workers and protect their economic security.

⁶⁸ See, for example, Alexander Dyck and Lukasz Pomorski, "Is Bigger Better? Size and Performance in Pension Plan Management," International Centre for Pension Management Working Paper, July 2011. <http://www.icpmnetwork.com/wp-content/uploads/2016/03/SSRN-id1690724.pdf>; Gosse Alserda, Jaap Bikker, and Fieke van der Lecq, "X-efficiency and economies of scale in pension fund administration and investment," DNB Working Paper 547, March 2017. https://www.dnb.nl/binaries/Working%20Paper%20No.%20547_tcm46-353014.pdf; J.P. Morgan Investor Services, "The bigger, the better? The cost benefits of scale in the Australian and international pension landscape", September 2013. <https://www.jpmorganchina.com.cn/jmpdf/1320618689993.pdf>

⁶⁹ According to a recent study from the National Institute on Retirement Security, the median retirement balance among all working Americans is \$0, and 68.3% of individuals age 55 to 64 had retirement savings equal to less than one times their annual income (Jennifer Erin Brown, Joelle Saad-Lessler, and Diane Oakley, "Retirement in America: Out of Reach for Working Americans?", National Institute on Retirement Security, September 2018. https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf)

Success Factors for Sponsoring a Portable Non-Employer Retirement Benefit

CRITERION	DESCRIPTION
Need/Demand in Addressable Group	Within a given group, what is the need or demand for retirement security among members? How many members are covered? What is the adequacy of their existing retirement plans?
Trust	How much trust exists between members and the sponsor(s) on the topic of retirement security? If the sponsor(s) were to introduce retirement benefits, how might members perceive it?
Duration of Member Relationship	How long do members stay affiliated with the sponsor or the group with which the sponsor is associated? How long are they likely to remain attached to the retirement benefit?
Alignment of Interests	Is there alignment between the interests of members and those of the sponsor(s)?
Ability to Enroll	Can the sponsor(s) get its members to sign up for a retirement benefit it has introduced? Do they have tools to make enrollment as frictionless and automatic as possible?
Ability to Partner with Providers	Can the sponsor(s) form effective partnerships with providers to design and deliver retirement benefits, including effectively negotiating with and overseeing these providers?

An Opportunity for Providers

The expansion of portable non-employer retirement benefits represents an opportunity for providers to participate in solutions to America's retirement coverage gap.

The universe of actors that could be involved in portable non-employer retirement benefits innovation and delivery includes a range of private and not-for-profit entities, including:

- Asset managers
- Recordkeepers
- Fintech firms
- Existing pension plans or retirement plans (that wish to offer their services to more members)
- Banks
- Insurance companies
- Credit unions
- Custodians or trust companies
- Not-for-profit benefits administration organizations, including in-house teams established by associations, unions, or other not-for-profit entities

Providers could, of course, participate in the administration of portable non-employer retirement benefits, as they do in the administration of single-employer retirement benefits, and just as they help administer the portable non-employer retirement benefits that exist today. Many of the tasks involved in delivering such benefits resemble those associated with the delivery of single-employer-based plans. Retirement funds need to be invested. Plan participants, and participating employers, require services, including enrollment and onboarding, transaction processing, education, communications, and recordkeeping. Some application of technology is typically required to assist with these tasks. To the extent members remain attached to the benefit in the post-retirement or decumulation phase, some kind of insurance or longevity pool may be involved. As with single-employer plans, the administration of a portable non-employer retirement benefit could involve a single provider or multiple providers.

In addition to assisting with administration, providers also have a key role to play as leaders and innovators to refine, test, improve,

and expand the category of portable non-employer retirement benefits. They can work with sponsors to develop unique and forward-thinking benefit designs to meet the needs of different populations. They can pioneer tools, tactics, and technologies to improve participation and participant outcomes in environments where payroll deduction is not available. They can develop solutions to help insure savers and retirees against complex but predictable risks, such as market volatility and longevity, without putting undue risk on the sponsor. These and other types of private and not-for-profit innovation are necessary to determine what kinds of portable non-employer retirement benefits work best, and how best to expand the market.

The Role of Employers

Although individual employers may not be sponsors of portable non-employer retirement benefits, they would still play a critical facilitating role in many of these arrangements. Their primary role would be to offer the retirement benefits to their employees, facilitate access to payroll deduction, and provide matching contributions where possible. There could also be an important role for employers in promoting the retirement benefits to their contract workers. Finally, the workplace can be a productive venue for retirement education, and employers can help arrange retirement education sessions that a portable non-employer retirement benefits arrangement might offer.

Portable non-employer retirement benefits could be of value to employers in two main ways. First, relative to traditional employer-sponsored retirement plans, they could reduce the administrative burden, costs, and potential liability associated with providing a retirement benefit. Second, if they have the right scale and design, portable non-employer retirement benefits could offer employers a higher-quality retirement arrangement than they would normally be able to access on their own.

The Potential for a Sizeable New Market

There are a few ways to assess, on a rough basis, the potential size of the market for portable non-employer retirement benefits. One is to look at the current size of the market for plans that are not tied to a single employer. As illustrated in the table below, existing ERISA plans involving more than one employer already represent an important part of the market for workplace retirement plans. Taken together, America's over 7,000 multiemployer plans and multiple employer plans represent over a trillion dollars of assets under management and over 20 million plan participants. Although this represents only about 1 percent of the total number of plans governed by ERISA, participants in multiemployer and multiple employer plans represent about 16 percent of the total in all ERISA plans, and assets in these plans represent about 13 percent of the \$8.2 trillion of assets in all ERISA plans.⁷⁰

⁷⁰ Employee Benefits Security Administration, "Private Pension Plan Bulletin: Abstract of 2015 Form 5500 Annual Reports", February 2018. <https://www.dol.gov/sites/default/files/ebsa/researchers/statistics/retirement-bulletins/private-pension-plan-bulletins-abstract-2015.pdf>



Retirement Plans Involving More than One Employer

PLAN TYPE	PLAN DESIGN	NUMBER OF PLANS	NUMBER OF PARTICIPANTS	ASSETS UNDER MANAGEMENT
Multiemployer Plans ⁷¹	Defined Benefit	1,413	10.3 million	\$501 billion
	Defined Contribution	1,234	4.6 million	\$194 billion
	TOTAL	2,647	14.9 million	\$695 billion
Multiple Employer Plans (MEPs) ⁷²	Defined Benefit	242	1.5 million	\$132 billion
	Defined Contribution	4,592	5.1 million	\$232 billion
	TOTAL	4,834	6.6 million	\$364 billion
TOTAL		7,481	21.5 million	\$1,059 billion

A second way to approximate the potential size of the market for portable non-employer retirement benefits is in relation to the size of the single-employer-based market. Leaving aside state and local pension plans, today there are roughly \$7.7 trillion in assets in employer-sponsored defined contribution plans.⁷³ Even if the portable non-employer retirement benefits market were to grow to 10 percent of the size of this employer-sponsored market, that would constitute nearly \$800 billion in assets under management. To put this in perspective, a recent study by Willis Towers Watson found that only six countries in the world, including the US, had total pension assets exceeding \$800 billion.⁷⁴

A third way to size the potential market is based on the number of uncovered participants. If portable non-employer retirement benefits were to cover 10 percent of the 55 million American employees without access to workplace retirement plans, that would amount to a total of 5.5 million plan participants. Assuming the average participant in these plans builds up an account balance of \$50,000 – roughly half the average balance for 401(k) plans⁷⁵ – this would result in total retirement assets of nearly \$280 billion, a market larger than the total pension assets in jurisdictions such as Finland, France, Hong Kong, Ireland, Italy, and Mexico.⁷⁶

⁷¹ Ibid.

⁷² Employee Benefits Security Administration, "Definition of 'Employer' under Employee Benefits Retirement Income Security Act - Association Retirement Plans and Other Multiple-Employer Plans", 2018. <https://www.regulations.gov/document?D=EBSA-2018-0007-0001>

⁷³ Charles McGrath, "US retirement assets at \$28 trillion in Q1, little changed from end of 2017", Pensions & Investments, June 21, 2018. <https://www.pionline.com/article/20180621/INTERACTIVE/180629958/us-retirement-assets-at-28-trillion-in-q1-little-changed-from-end-of-2017>

⁷⁴ Willis Towers Watson, "Global pension assets study 2018", February 2018. <https://www.willistowerswatson.com/-/media/WTW/Images/Press/2018/01/Global-Pension-Asset-Study-2018-Japan.pdf>

⁷⁵ See Vanguard, "How America Saves 2018", June 2018. https://pressroom.vanguard.com/nonindexed/HAS18_062018.pdf; Becca Stanek, "The Average 401(k) Balance by Age", Smart Asset, August 20, 2018. <https://smartasset.com/retirement/average-401k-balance-by-age>. There are reasons to believe that account balances for portable retirement plans would be lower. For instance, uncovered Americans tend to have lower incomes than covered Americans. However, there are also reasons that point in the other direction. For example, if a retirement plan stays with a member from job to job, this allows greater opportunities to build up assets in a single account, rather than holding multiple smaller accounts from multiple employers.

⁷⁶ Willis Towers Watson, "Global pension assets study 2018", February 2018. <https://www.willistowerswatson.com/-/media/WTW/Images/Press/2018/01/Global-Pension-Asset-Study-2018-Japan.pdf>



A fourth and more optimistic forecast for the size of the portable non-employer retirement benefits market would assume some substitution of retirement arrangements in the single-employer-based market. Many employers, especially smaller and medium-sized employers, may see the appeal in transitioning from a plan that they sponsor themselves to a larger-scale, pooled arrangement in which they have less legal liability and fewer administrative responsibilities, and in which their workers get better value for money. If 10 percent of

the employer-sponsored defined contribution market shifted to a portable non-employer retirement benefit arrangement and such benefits achieved coverage expansion equivalent to another 10 percent of the size of the current employer-sponsored defined contribution market, this would also result in a total market size of just over \$1.5 trillion – roughly the size of the Netherlands’s total pension assets, and approaching the size of Canada’s and Australia’s.⁷⁷

EXISTING MARKETS

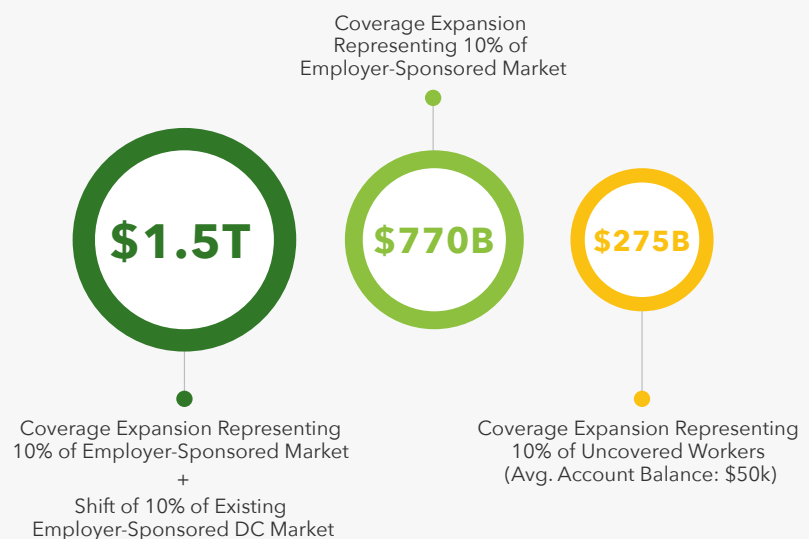
Retirement Plan Assets Under Management

Employer-Sponsored DC Plans



POTENTIAL SIZING FOR PORTABLE NON-EMPLOYER RETIREMENT BENEFITS MARKET

Retirement Plan Assets Under Management



⁷⁷ Ibid.



The creation of this market has the potential to create shared value⁷⁸ for a range of stakeholders. First and foremost, American workers and retirees would benefit from the greater retirement value for money of portable non-employer retirement benefits. Private providers of occupational retirement arrangements, both existing providers and new entrants who are able to contribute to the expansion of portable non-employer retirement benefits, would also benefit from the expansion of the workplace-based market. Employers stand to benefit for reasons of value for employees, lower legal and financial liability, and greater administrative ease.

Finally, the creation of a portable non-employer retirement benefits market also stands to benefit civil society organizations, including trade associations, professional associations, labor unions, and faith groups that could sponsor these benefits. Providing a high-quality retirement benefit could be a way for these organizations to attract and retain members at a time when many are grappling with declining membership and trying to redefine their value proposition.⁷⁹

Of course, these projections and benefits to stakeholders depend on portable non-employer retirement benefits gaining traction. This will require further developing models of portable non-employer retirement benefits that work, effectively serving uncovered and underserved constituencies, creating value for sponsors of these benefits, and allowing providers to participate in the market and build sustainable business models around that participation. We will now turn to a discussion of how these benefits have worked under a range of non-employer-centric models.

⁷⁸ On the shared value creation framework as an alternative to the narrower shareholder value creation model, see Michael Porter and Mark Kramer, "Creating Shared Value", Harvard Business Review, January-February 2011. <https://hbr.org/2011/01/the-big-idea-creating-shared-value>

⁷⁹ For a discussion of this topic in the context of trade unions and labor organizations, see David Rolf, "A Roadmap to Rebuilding Worker Power", The Century Foundation, 2018. <https://tcf.org/content/report/roadmap-rebuilding-worker-power/>. Rolf identifies benefits provision and administration as one of the most promising opportunities for worker organizations to add value to society.

Exploring Options for Non-Employer-Centric Models

This section explores a range of options for how portable non-employer retirement benefits could work, through the lens of six different non-employer-centric models: associations, sectors, labor unions, new labor organizations, payroll or platform companies, and faith groups.

Associations

Associations form an important part of the American social and economic landscape. In his treatise on American democracy, Alexis de Tocqueville remarked on the tendency of Americans to associate: “Everywhere that, at the head of a new undertaking, you see the government in France and a great lord in England, count on it that you will perceive an association in the United States.”⁸⁰

According to the American Society of Association Executives, there are about 67,000 professional and trade associations in the US⁸¹ These associations employ 1.3 million people, generate \$142 billion in revenue, and hold \$306 billion in assets.⁸²

Here we will explore these two main types of associations: professional associations and trade associations. That said, other kinds of associations, such as alumni groups or community service organizations, could also potentially offer such benefits. As noted earlier, however, an exploration of these institutions is outside the scope of this paper, which focuses on sponsors with some link to the workplace.

A *professional association* could sponsor a plan for its members and allow them to join the plan on a voluntary basis. Such a plan could, for example, be aimed at self-employed professionals who are unlikely to have access to a retirement plan through their workplace. These professionals could include lawyers,

doctors, veterinarians, dentists, architects, engineers, and accountants. The benefit might also be offered to the support staff for those professionals, who, if they are working in smaller organizations, are unlikely to have access to a workplace retirement plan.

The addressable market for professional association-sponsored retirement benefits could be sizeable. Just 12 percent of the self-employed have a workplace retirement plan.⁸³ Many professionals, particularly in highly regulated professions, are likely to remain attached to their professional association throughout their careers, a time horizon that is consistent with the long time horizon of retirement finance, and that allows them time to build trust in their association to provide valuable benefits and services. Because many self-employed professionals are upper-middle and upper-income, opportunities to provide retirement benefits through associations are likely to attract significant private sector interest and, therefore, competition.

Many professional associations already offer member benefits for products and services, including professional liability and life insurance. Professional associations also play a major role in work-related training, with nearly 10 million Americans receiving formal training through a professional association.⁸⁴ A portable non-employer retirement benefit could serve as a natural extension of an association’s suite

⁸⁰ Alexis de Tocqueville, “Democracy in America”, 1835.

⁸¹ American Society of Association Executives, “Sharing the Power of Associations”, 2017. <https://www.thepowerofa.org/wp-content/uploads/2017/2017%20Power%20of%20A%20Presentation.pptx>

⁸² Ibid.

⁸³ Teresa Ghilarducci, “Workplace Retirement Coverage Drops and the System Continues to Fail”, Forbes October 15, 2018. <https://www.forbes.com/sites/teresaghilarducci/2018/10/15/workplace-retirement-plan-coverage-continues-to-drop-and-fail/#7150a99d62e4>

⁸⁴ American Society of Association Executives, “Power of Associations Study”, accessed November 2018. <https://www.thepowerofa.org/power-of-a-research/>

of benefits and services. Given the potential lifetime value of being a member of a high-quality, workplace-based retirement plan – it can be worth several hundreds of thousands of dollars or more⁸⁵ – a retirement offering could be among the most attractive benefits that an association offers. If the professional association already offers member benefits, it may also have additional capacity and skill when it comes to designing benefits that meet the unique needs of its members, and promoting those benefits to its members.



Started in **1963**

37,000+ participants

4,000+ employers

\$6B in AUM

The American Bar Association (ABA)'s retirement program offers a longstanding example of a professional association-sponsored retirement benefit.⁸⁶ Founded in 1963, ABA Retirement Funds today serves over 37,000 participants, including 12,000 solo practitioners, and has over \$6 billion in assets under management. The ABA Retirement Funds was originally run by staff at the association, but now operates separately, with the oversight of a board of directors elected by the ABA's Board of Governors. The program has a staff of four and outsources most of its operations to service providers, which are responsible for administering about 4,000 individual plans. The ABA Retirement

Funds set these up as individual plans, rather than one single plan, to avoid ERISA's "one bad apple" rule under which a rule violation by one employer could disqualify the entire plan. Recently, it is working to develop ways to help plan participants in the post-retirement phase. For instance, it is considering developing a retiree manual to educate members about their decumulation options.

The professional association-sponsored model presents some challenges. The first and most significant is that it is likely to be a voluntary arrangement, meaning it is subject to many of the behavioral shortcomings that individual savers face when preparing for retirement on their own. This limitation could be mitigated by strategies that mimic automatic or mandatory enrollment, such as making contributions to a retirement benefit a default add-on to the payment of association membership fees, unless the member opts out. It may also be mitigated by the facts that professional associations often have highly efficient ways of reaching their members, including member communications, training, professional conferences, and the delivery of existing member benefits.

A second downside is that the ability of associations to cover professionals varies widely. Some associations have very high or even universal coverage rates within their professional community, whereas others cover only a fraction of their community. That said, the association landscape is not static. Recent years have seen new examples of associations designed to serve self-employed professionals who are not represented or adequately served by existing organizations. One example from the UK is the Association of Independent Professionals and the Self-Employed, which now also has a US chapter (IPSE US).⁸⁷ In Canada, the Professional Institute of the Public Service of Canada, a union that represents professionals who work for the Canadian government, announced that it would be launching a new organization

⁸⁵ See Common Wealth, Healthcare of Ontario Pension Plan, and the National Institute on Ageing, "The Value of a Good Pension: How to improve the efficiency of retirement savings in Canada", 2018. <https://hoopp.com/docs/default-source/about-hoopp-library/advocacy/the-value-of-a-good-pension-102018.pdf>

⁸⁶ Insights on the ABA's program are drawn in part from an interview with Scarlett Ungurean, Executive Director of ABA Retirement Funds. See Appendix for more details on the ABA case study.

⁸⁷ See IPSE website, accessed November 2018. <https://www.ipse.co.uk/ipse-us.html>

called Professionals Canada in 2020,⁸⁸ which is intended to serve independent professionals.

In addition to professional associations, *trade associations* could also sponsor portable non-employer retirement benefits. Such associations are usually affiliated with a particular industry or sector. Unlike professional associations whose members are individual workers, trade associations’ membership tends to be comprised of employers. A trade association-sponsored portable non-employer retirement benefit, therefore, would likely be aimed at those smaller and medium-sized employers that struggle to provide a retirement plan to their workers. This is one of the models envisioned by the US Department of Labor’s recent proposal for Association Retirement Plans (ARPs), which would make it easier for trade associations or groups of employers to band together to offer a retirement plan aimed at small businesses.⁸⁹

A portable non-employer retirement benefit could, for example, be sponsored by a chamber of commerce or small business association at the local, state, or national level. These organizations have large memberships. Many of them already offer benefits to their members, using bulk purchasing and affinity arrangements to help small and medium enterprises get access to products and services that would be hard to access on their own. Common offerings currently include payments processing, insurance, and payroll. A portable non-employer retirement benefit could be added to this suite of services and tailored for the needs of small and medium-sized enterprises.



Similarly, a portable non-employer retirement benefit could be sponsored by a trade association that represents employers in a particular sector or industry, many of which also offer benefits and services to its member employers. This approach is similar to the sectoral approach, which will be discussed in more detail in the section below.

There are some limitations to the trade association-based model. One is portability. From a member perspective, such benefits may not be portable from employer to employer. A worker may need to move between small businesses that offer the same plan in order to have full portability. Another potential challenge is how to ensure an alignment of interests between the sponsors of the benefits and the benefits’ members. In the case of professional associations, the sponsor’s primary accountability is to the workers, whereas in the case of trade associations, it is typically to the employers. This challenge could be addressed by allowing for some kind of worker voice or representation in the governance of the benefit, and/or by partnering with worker organizations in sponsoring and overseeing the benefit.

PRELIM. RATING FOR CRITERION	NEED/DEMAND IN ADDRESSABLE GROUP	TRUST	DURATION OF MEMBER RELATIONSHIPS	ALIGNMENT OF INTERESTS	ABILITY TO ENROLL	ABILITY TO PARTNER
Professional Association	Medium	Medium	High	Medium	Low - Medium	Medium - High
Trade Association	Medium	Low - Medium	Low - Medium	Low - Medium	Low	Medium - High

⁸⁸ Professional Institute of the Public Service of Canada, “Professionals Canada,” November 3, 2018. <http://www.pipsc.ca/about/governance/agm/2018/professionals-canada>

⁸⁹ US Department of Labor, “News Release: US Department of Labor announces proposal to help small businesses strengthen retirement security for millions of American workers”, October 22, 2018. <https://www.dol.gov/newsroom/releases/osec/osec20181022>

Sectors

While workers are likely to change employers many times throughout their career – an average of 12 times⁹⁰ – they are more likely to remain attached to the same sector for longer periods of time. So rather than organizing retirement benefits around individual employers, it could make more sense to organize them sectorally. A sector-based model of pensions and retirement plans has gained widespread adoption in places such as Australia, the Netherlands, and the Canadian public sector.

How might a sector-based portable non-employer retirement benefit work? A group of leaders within a particular sector might decide to form a portable non-employer retirement benefit that employers and workers in that sector would be able to access. The benefit would be portable within the sector, and workers might be able to carry the benefit with them when they leave the sector. The plan might also be open to non-

employees who work in the sector, and allow workers to stay in the plan as they move between different kinds of employment status. If there is a single umbrella group that represents the sector, such as a strong trade association, that group might serve as the sponsor of the plan. Where no such central, representative group exists, the sector-based benefit may need to be established through coalitions or partnerships, and a new entity may need to be established to oversee and administer the benefit. In large, disaggregated sectors, there may also be an important role for governments, either as sponsors or as enablers.

Outside the US, Canada's Co-operative Superannuation Society Pension Plan (CSS) is an example of a sector-based plan aimed at Canada's credit union and cooperatives sector.⁹¹ According to CSS's Executive Director Martin McInnis, the two employers that started the plan in 1939 "had a genuine care for their employees and saw the business case for offering a plan."⁹² The plan also benefited from a regulatory environment that, at the time, was less prescriptive.⁹³ Based in Saskatchewan, CSS has become one of Canada's largest defined contribution plans, with US\$3.5 billion in assets, 47,000 members, and 350 participating employers, most of which are credit unions and cooperatives with fewer than 25 employees.

More recent examples of a sector-based approach include two efforts to establish portable non-employer retirement benefits for not-for-profit organizations. In Massachusetts, the Massachusetts Nonprofit Network partnered with the state government to launch CORE, a multiple employer 401(k) for Massachusetts nonprofits with 20 or fewer employees. In Canada, a coalition of foundations, not-for-profit leaders, and retirement security experts, including



⁹⁰ US Bureau of Labor Statistics, "National Longitudinal Surveys, Frequently Asked Questions", accessed November 2018. <https://www.bls.gov/nls/nlsfaqs.htm>

⁹¹ Insights from the CSS case study are drawn in part from an interview with Martin McInnis, Executive Director of CSS. See Appendix for more details on the CSS case study.

⁹² Interview with Martin McInnis.

⁹³ Ibid.



Started in **1939**

47,000+ participants

350+ employers

\$3.5B in AUM

Common Wealth, is working to establish a national, portable, collective retirement plan for Canada's not-for-profit sector, in which about 850,000 workers lack access to a workplace retirement plan.⁹⁴

This sectoral approach has some key advantages. It can enable a high degree of portability, especially in sectors where workers are likely to stay in the sector for many years, even if they move from employer to employer. If the sector is large, it also allows the retirement plan to achieve greater scale. Further, workers and employers in the sector may trust their sector peers on critical human capital issues facing the sector, such as retirement security,⁹⁵

and may have a shared interest in investing in portable benefits to attract and retain talent within the sector. Another advantage is that sector-based benefits, if they reach sufficient scale, have the potential to become attractive to larger employers within a sector, as well as smaller and medium-sized ones.

Perhaps the main challenge of the sectoral approach is that sectors may not have a natural organizing body, potentially leading to a kind of collective action problem. Establishing and scaling a portable non-employer retirement benefit within a sector is a significant undertaking, and requires sustained leadership by a core group of actors within that sector. Where a sector is fragmented, the resources required to market and scale the plan may be considerable. Competition among employers or other entities in a sector could also pose barriers to establishing a common retirement plan, especially where employers view the quality of their retirement benefits as a source of comparative advantage.

Another challenge is what happens when workers move between sectors. While workers are more likely to stay in the same sector than they are to stay with the same employer, making a portable non-employer retirement benefit program work would be more difficult in sectors where inter-sector mobility is high. This portability challenge can be mitigated by allowing participants to stay in a plan once they have joined, even if they leave the sector.

CRITERION	NEED/ DEMAND IN ADDRESSABLE GROUP	TRUST	DURATION OF MEMBER RELATIONSHIPS	ALIGNMENT OF INTERESTS	ABILITY TO ENROLL	ABILITY TO PARTNER
Preliminary Rating	Medium - High	of interests	Ability to enroll	Ability to partner	Low	Medium

⁹⁴ See Common Good Retirement Plan, accessed November 2018. www.commongoodplan.org.

⁹⁵ In a recent survey of Canadian not-for-profit sector workers conducted for the Common Good initiative, "leaders in the not-for-profit and charitable sector" ranked as among the most trustworthy groups on the topic of retirement security. Pollara Strategic Insights, "Retirement Benefits and Security in the Non-Profit Sector: Survey Results", September 2018. <https://www.commongoodplan.org/wp-content/uploads/2018/10/pollara-report-for-common-good.pdf>

Labor Unions

Labor unions have long been involved in advocating for and, in some cases, sponsoring workplace pension and retirement plans. It seems natural, then, to consider unions as potential sponsors for portable non-employer retirement benefits.

One way that a labor-sponsored offering could start is for a union to set up a plan for the segments of their membership that are uncovered by existing retirement plans. Such a plan could be solely sponsored by the union or jointly sponsored between the union and employers in the relevant sector. The plan could be overseen by the union itself, an affiliate, or an arm's-length benefits administrator.

Union members would be able to stay in the plan while members of the union, regardless of which employer they work for. Over time, membership in the plan could be expanded to spouses of union members, members of other unions, and non-union members, including non-unionized employees in the sector in which the union operates. The union could engage its affiliated employers on the plan through collective bargaining, or on a voluntary basis, based on the independent value proposition of a higher-quality, more portable, larger-scale plan in which the employer would have less fiduciary responsibility.

How broadly might the labor union-based model reach into uncovered and underserved populations? There are pessimistic and optimistic ways of answering this question. The pessimistic assessment might point out that union density is already very low and has been falling. Just 6.5 percent of wage and salary workers in the private sector, and 10.7 percent of the wage and salary workers overall, are members of unions.⁹⁶ Further, about two-thirds of union members are already covered by a workplace retirement plan.⁹⁷ Traditional unions faced with what they see as more existential threats, such as the erosion of their ability to collect mandatory dues, may be unlikely to make the long-term investment necessary to set up a portable non-employer retirement benefit.

But there is a more optimistic way of looking at unions' ability to address uncovered and underserved populations. There are about 5 million American union members who are uncovered by a workplace retirement plan – roughly equivalent to the entire population of South Carolina, and representing nearly 10 percent of the total uncovered employee population.⁹⁸ Unions are in an excellent position to address this coverage gap for their own members. Further, the fact that union density has been declining and some unions fear an existential threat may serve as motivation for them to provide greater value to their members by offering a portable non-employer retirement benefit, or to use such a benefit as an example of union-led innovation to demonstrate the continued relevance of the labor movement in a 21st century economy. Finally, the total addressable population for union-sponsored portable non-employer retirement benefits could extend beyond current union members, to include spouses of union members, non-unionized workers who might join a union under an "associate member" category, and workers associated with employers or other actors that



⁹⁶ US Bureau of Labor Statistics, "Economic News Release: Union Members Summary", January 19, 2018. <https://www.bls.gov/news.release/union2.nr0.htm>

⁹⁷ Teresa Ghilarducci, "Workplace Retirement Coverage Drops and the System Continues to Fail," Forbes, October 15, 2018. <https://www.forbes.com/sites/teresaghilarducci/2018/10/15/workplace-retirement-plan-coverage-continues-to-drop-and-fail/#7150a99d62e4>

⁹⁸ Based on the authors' calculations, multiplying Ghilarducci's estimate of retirement plan coverage among unionized workers (67%) (see Teresa Ghilarducci, "Workplace Retirement Coverage Drops and the System Continues to Fail," Forbes, October 15, 2018. <https://www.forbes.com/sites/teresaghilarducci/2018/10/15/workplace-retirement-plan-coverage-continues-to-drop-and-fail/#7150a99d62e4>) by the US Bureau of Labor Statistics' figure of 14.8 million wage and salary unions who belong to unions (US Bureau of Labor Statistics, "Economic News Release: Union Members Summary", January 19, 2018. <https://www.bls.gov/news.release/union2.nr0.htm>)

might co-sponsor a union-initiated portable non-employer retirement benefit.

An example of a recent effort to extend retirement coverage to lower- and moderate-income employees is being implemented by a Washington state-based local Service Employees International Union (SEIU 775).⁹⁹ SEIU's Secure Retirement Trust is aimed at a group of lower- and moderate-income home care workers. Currently, the plan's contributions come only from employers, who put in 50 cents per hour for each worker. Structured as a trust-based 401(a) plan, the plan has a Taft-Hartley governance model and was originally set up through bargaining with the state of Washington, which acts as the central bargaining agent for home health care employers.

There are several reasons to believe that a labor-based approach could be successful. First, labor organizations are increasingly trying to offer value and protection to groups of workers who are uncovered and underserved by the employer-centric system, including lower- and moderate-income workers and contingent workers. A high-quality retirement benefit could serve as a concrete source of value for these workers, and for some it may represent a reason to join a union, or at least engage with one. The need to demonstrate such value has become more acute in light of recent court decisions that erode unions' ability to generate revenue.¹⁰⁰

Second, labor organizations potentially benefit from a highly efficient enrollment tool: collective bargaining. This is a method of achieving automatic or mandatory enrollment at scale. Where that bargaining is large-scale or centralized, this enrollment mechanism becomes even more efficient, lowering sales and marketing costs associated with distributing the retirement plan.

Third, there is strong potential alignment between the mission of labor organizations – advancing the economic interests of working people – and the creation of a retirement vehicle.



Started in **2016**
45,000+ members
 Plan type **-401(a)**

In their hierarchy of organizational priorities, labor unions are likely to place retirement security higher than most employers do. Further, as illustrated by the emergence and growth of the multiemployer model in sectors such as construction and trucking, the labor movement has a history of creating portable benefits for workers in disaggregated industries.¹⁰¹

For labor unions to offer portable non-employer retirement benefits, a number of challenges would need to be overcome. In the absence of centralized collective bargaining, it may be difficult for a union to make the plan mandatory for its members. And where the plan is voluntary, labor organizations may lack some of the tools or resources, including marketing and sales capabilities, required to effectively promote the benefit to their members and broader communities. This challenge could be addressed by exploring ways to automatically enroll members in the plan (for example, by making enrollment part of dues collection for new members), by building and devoting dedicated resources to promote the plan, or by forming partnerships with other organizations.

Labor-sponsored portable non-employer retirement benefits would also likely need to overcome reputational issues stemming from the underfunding of some US labor-sponsored pension plans in both the public and private sectors. The paper discussed earlier the highly-publicized funding challenges facing a

⁹⁹ Insights from the SEIU 775 case study are drawn from an interview with David Rolf, Abigail Solomon, and Lydia Barlow, who are the former president of SEIU 775, Executive Director of SEIU 775 Benefits Group, and Managing Director of SEIU 775 Secure Retirement Trust, respectively. See Appendix for more details on the SEIU 775 case study.

¹⁰⁰ See, for example, US Supreme Court, "Janus v. American Federation of State, County, and Municipal Employees, 585 US ____ (2018)", 2018. <https://supreme.justia.com/cases/federal/us/585/16-1466/>

¹⁰¹ For a review of the history of Taft-Hartley plans, see Steven Sass, "The Promise of Private Pensions: The First Hundred Years", 1997.

significant minority of multiemployer defined benefit plans. The sustainability issues facing state and local government pensions are also well-known. Unions are often involved in the governance of these plans and have come to be associated, fairly or unfairly, with their funding challenges. A major role for labor in expanding portable non-employer retirement benefits will also require an openness to benefit designs other than the defined benefit model, which has been the one the movement has traditionally promoted and defended.¹⁰²

Labor organizations may need to develop their ability to effectively partner with the

private sector to design and deliver the kind of benefit that would add unique value for their membership. This may require labor organizations to develop more sophisticated data on their members’ financial lives, greater ability to form commercial partnerships, and enhanced capacity to distribute portable benefits outside a collective bargaining context. In order to enhance these capabilities, SEIU 775 set up a separate benefits administration organization, which administers three trust-based benefit funds, employs over 100 people, and has functions to deal with project management, customer experience, and customer service.¹⁰³

CRITERION	NEED/ DEMAND IN ADDRESSABLE GROUP	TRUST	DURATION OF MEMBER RELATIONSHIPS	ALIGNMENT OF INTERESTS	ABILITY TO ENROLL	ABILITY TO PARTNER
Preliminary Rating	Medium	Medium - High	Medium - High	Medium - High	High	Medium

New Worker Organizations

For workers not represented by traditional unions, new worker organizations might represent a promising sponsor. “New worker organization” is a broad term that refers to groups whose goal is to advance the economic interests and security of workers, but are not structured as traditional unions and do not perform all the functions of unions, such as collective bargaining.¹⁰⁴ Examples include the National Domestic Workers Alliance, Restaurant Opportunities Centers United, the Freelancers Union, and the Model Alliance.

The Workers Benefit Fund (WBF) provides some insight into how a new worker organization might offer and scale a suite of portable benefits.¹⁰⁵ WBF provides a pilot suite of benefits, which include health and vision benefits, to gig economy drivers in New York City through the Independent Drivers Guild (IDG), an example of

a new worker organization. IDG is a Machinists Union affiliate that represents over 85,000 for-hire drivers, including those who drive for Uber.

WBF assists with both organizing and benefits delivery. It helps create guilds, like the IDG, that can provide both worker power and the scale required for high-quality benefits delivery. In New York, the WBF is currently providing health and vision benefits, as well as assistance in accessing health insurance through the Affordable Care Act. The provision of these benefits is facilitated by funding from the Black Car Fund, a not-for-profit created by the state government that collects a 2.5 percent surcharge on each ride for the purposes of providing workers’ compensation and other benefits.¹⁰⁶ WBF does not currently offer a retirement benefit, but could offer one in the future.

¹⁰² Interview with David Rolf, Abigail Solomon, and Lydia Barlow.

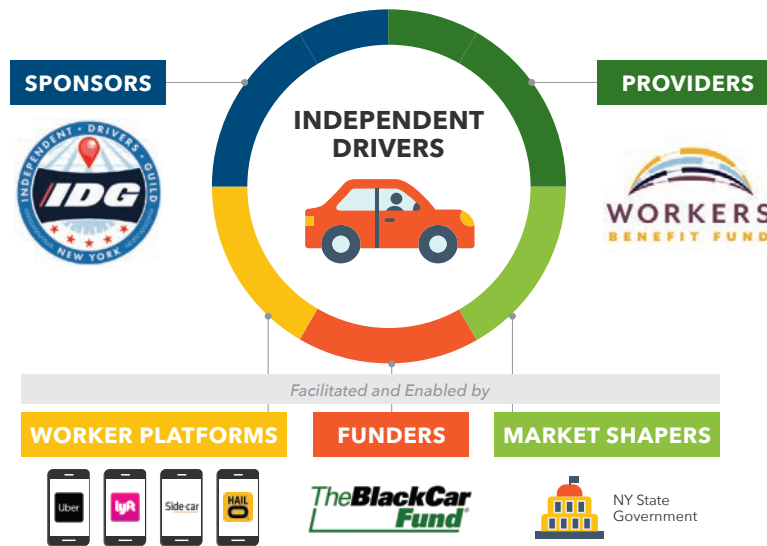
¹⁰³ See the case study in the Appendix for more details.

¹⁰⁴ For a discussion of the future of worker organizations, see David Rolf, “A Roadmap to Rebuilding Worker Power”, The Century Foundation, 2018. <https://tcf.org/content/report/roadmap-rebuilding-worker-power/>

¹⁰⁵ Insights on the WBF case study are drawn from an interview with Ben Geyerhahn, the organization’s CEO. For further details on WBF, see the case study in the Appendix.

¹⁰⁶ The Black Car Fund, “History”, accessed November 2018. <http://www.nybcf.org/history/>; David Rolf, “A Roadmap to Rebuilding Worker Power”, The Century Foundation, 2018. <https://tcf.org/content/report/roadmap-rebuilding-worker-power/>

Workers Benefit Fund Case Study



New worker organizations hold the promise of reaching many workers, especially contingent workers, that other potential sponsors canvassed here would have difficulty reaching. They may also have a strong alignment of interests with the workers who might form part of a portable non-employer retirement benefit. For similar reasons, workers may be more likely to trust them to deliver high-quality benefits, making it more likely that they will enroll.

There are also limitations. For new worker organizations to become effective sponsors of portable non-employer retirement benefits, they may need greater membership scale, greater ability to easily enroll members in a retirement program, and more significant sources of independent funding. Further, because new worker organizations do not bargain collectively, they would need to find creative ways of encouraging enrollment in a portable non-employer retirement benefit. The WBF's advantage, in this respect, is a

pilot funded by a state government-imposed surcharge that mimics payroll deduction and that allows benefits programs to scale in a way that is much more challenging in a purely voluntary environment.



Provider of health and vision benefits through the Independent Drivers Guild, representing **85,000+** for-hire drivers

CRITERION	NEED/ DEMAND IN ADDRESSABLE GROUP	TRUST	DURATION OF MEMBER RELATIONSHIPS	ALIGNMENT OF INTERESTS	ABILITY TO ENROLL	ABILITY TO PARTNER
Preliminary Rating	High	Medium	Low - Medium	Medium - High	Low	Medium

Payroll or Platform Companies

Another potential sponsor of portable non-employer retirement benefits are companies that have large-scale relationships with uncovered or underserved constituencies.

One such type of company is the *payroll provider*. Because such providers already provide a wide range of payroll processing services, they offer an easy access point for employers who wish to add retirement benefits for their employees. Bundling retirement benefits with payroll services may be especially attractive to smaller and medium-sized employers, for whom it could be an opportunity to reduce the costs and administrative burden associated with offering a retirement plan. Some of the largest payroll providers, including ADP and Paychex, offer retirement plans on their platforms.

A more recent example of a payroll-based retirement benefit is the partnership between Gusto, a payroll provider, and Guideline, a 401(k) provider.¹⁰⁷ Both are relatively new, technology-driven companies that aim to serve small and medium-sized organizations. For Gusto, the partnership allows the company to provide additional value to its payroll clients, building on a group health insurance offering it introduced in 2015. For Guideline, working with Gusto provides a cost-effective way of reaching its intended customer base. So far, the majority

of employers that have signed up for a 401(k) through the partnership did not previously offer a workplace retirement plan.

Are payroll-based models an effective way to expand retirement plan coverage and build a market for portable non-employer retirement benefits? One can see how they reduce some of the barriers to small and medium-sized organizations in offering a retirement plan. Such plans can be tailored to meet the needs of small and medium-sized businesses, including providing solutions that are low-cost, simple, and easy to administer.

In theory, the potential addressable market would appear to be very large. ADP alone processes payroll for one in six US private sector workers.¹⁰⁸ In practice, however, the potential for payroll firms to make a dent in the coverage problem may be smaller. Many payroll providers already offer retirement plans; it is unclear how much their presence in the market has moved the needle on coverage, as opposed to providing retirement plans to employers that would have otherwise still offered a plan, but with a different provider.

There are also questions about how the payroll-based model could meet all the criteria in the proposed definition of portable non-employer retirement benefit. For such plans to be portable for an employee, that employee would need to move to another employer that used the same payroll provider. And while payroll-based plans are well-positioned to serve employees of small and medium-sized organizations, it is less clear how they would serve independent workers, who are unlikely to be compensated through payroll systems.

There may be ways to combine the payroll-based model with another model of portable non-employer retirement benefit. For example, a chamber of commerce-sponsored portable non-employer retirement benefit might partner with one or more major payroll providers to build integrations that make it easier for small

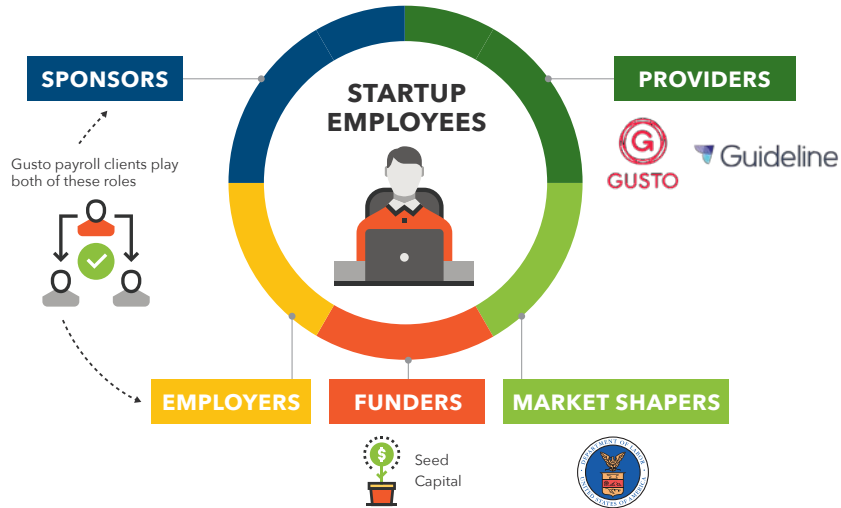


Established partnership in **2016**
 Guideline AUM **\$750M**
5,500 plans

¹⁰⁷ Insights on the Gusto-Guideline partnership are drawn from an interview with Eric Schuchman, Head of Product of Gusto. See Appendix for more details on the Gusto-Guideline case study.

¹⁰⁸ ADP, "Employer Services Overview", accessed November 2018. https://www.adp.com/employer_services_overview.asp?iid=EFI0483

Gusto-Guideline Partnership Case Study



and medium-sized businesses to access the benefit. Providers such as Guideline already offer a number of such integrations,¹⁰⁹ as does NEST,¹¹⁰ the retirement plan set up by the UK government to cover workers without a plan.

Platform companies could also offer a portable non-employer retirement benefit to the workers who provide services on their platforms. This could include temp agencies or “gig economy” platforms such as ridesharing companies and online marketplaces for freelancers. Some of these companies have already begun offering retirement savings options to their workers. In 2016, for instance, Uber announced a partnership with the fintech firm Betterment to provide a retirement savings plan for its drivers. A year later, 2,500 drivers had signed up – 0.4 percent of the estimated 600,000 Uber drivers in the US at the time.¹¹¹

Platform companies have two major advantages when it comes to providing portable non-employer retirement benefits. First, they have scale and, therefore, access to large numbers of contingent workers, who may be difficult to reach through other channels. Second, platform companies often have significant experience in forming business partnerships with providers

and, particularly where they are technology-enabled, have the ability to integrate retirement plan provider technology with their platform’s technology in a way that can make enrollment more seamless.¹¹² Third, they control the payments to workers, creating a potential means of directing contributions.

However, there are some challenges with the platform company-based model. First, unless a platform is prepared to recognize its workers as employees, any provision of retirement benefits is likely to be purely voluntary, and the



¹⁰⁹ Guideline, “Integrate Payroll and HR with Your 401(k)”, accessed November 2018. <https://www.guideline.com/integrations>

¹¹⁰ NEST, “Payroll integration”, accessed November 2018. <https://www.nestpensions.org.uk/schemeweb/nest/advisers/payroll-integration.html>

¹¹¹ Madison Adler, “Uber-Betterment Collaboration Draws in 2,500 Retirement Savers,” Bloomberg BNA, August 28, 2017. <https://www.bna.com/uberbetterment-collaboration-draws-n73014463783/>

¹¹² A good example of a company that has formed such partnerships with platform companies is Stride, a technology-focused firm that aims at helping independent workers access health insurance and other benefits. Stride has partnered with a number of large platform companies to help their contract workers get access to benefits (interview with Jamil Poonja, Director of Corporate Development at Stride).

platform company is likely to be reluctant to promote the offering too aggressively for fear of jeopardizing the independent contractor status of its workers. Second, the job tenure of workers with any particular platform company may not be very long, in which case the benefit may not

be portable, and the plan is less likely to have a life cycle perspective. Third, and perhaps most importantly, workers may not trust the platform companies to act in their best interests, making it less likely workers will join a retirement program because it is promoted by the platform.

CRITERION PRELIM. RATING FOR	NEED/ DEMAND IN ADDRESSABLE GROUP	TRUST	DURATION OF MEMBER RELATIONSHIPS	ALIGNMENT OF INTERESTS	ABILITY TO ENROLL	ABILITY TO PARTNER
Payroll Company	Medium	Low - Medium	Low - Medium	Low	High	High
Platform Company	High	Low	Low	Low	Low - Medium	High

Faith Groups

Despite declines in religiosity over the past several decades, America remains a deeply devout nation. Over one-third of Americans – 36 percent – attend religious services at least once a week.¹¹³ Religion ranks second to family as the most important source of meaning to Americans.¹¹⁴ Even for Americans age 18-29,

among whom the percentage of religiously unaffiliated is over three times that for Americans age 65 and over, a strong majority still profess some kind of religious identity.¹¹⁵ Given their scale and importance to Americans, might faith groups be a potential sponsor for portable non-employer retirement benefits?



Faith groups could act as sponsors of such benefits in one of two ways. First, a denomination could establish a centrally administered, pooled retirement benefit for all the workers in that faith community. This benefit could include both employees and contract workers. The size of the arrangement could allow economies of scale that would be likely to improve outcomes for participants. And the workers who serve the denomination would be able to take the benefit with them as they move from church to church, mosque to mosque, or synagogue to synagogue.

The United Methodist Church has a retirement benefit similar to this called Wespeth.¹¹⁶ Wespeth

¹¹³ Pew Research Center, “Attendance at religious services”, accessed November 2018. <http://www.pewforum.org/religious-landscape-study/attendance-at-religious-services/>

¹¹⁴ Pew Research Center, “Where Americans Find Meaning in Life”, November 20, 2018. <http://www.pewforum.org/2018/11/20/where-americans-find-meaning-in-life/>

¹¹⁵ Robert P. Jones and Daniel Cox, “America’s Changing Religious Identity: Findings from the 2016 American Values Atlas”, Public Religion Research Institute, September 6, 2017. <https://www.prrri.org/wp-content/uploads/2017/09/PRRI-Religion-Report.pdf>

¹¹⁶ Insights on the Wespeth case study are drawn from an interview with Tim Koch, Wespeth’s former Chief Financial Officer, as well as Wespeth’s website: www.wespeth.org. See Appendix for more details on the Wespeth case study.



Started in **1908**

100,000+ participants

54 countries

\$24B in AUM

is a multi-jurisdictional retirement plan – the largest publicly reported denominational plan in the US – that manages \$24 billion in assets for The United Methodist Church in the US, as well as 53 other countries around the world. The church first established a pension plan in 1908, making its plan the second-oldest denominational plan in the country (the Presbyterian Church’s plan started earlier). The plan serves employees of the church and employees of the church’s agencies – all told, a total of over 100,000 participants globally. Membership consists mainly of clergy, but also of lay employees. Wespath provides both a defined benefit plan and a defined contribution plan, and offers in partnership with Ernst & Young, a financial planning service to help improve the financial acumen and financial health of clergy.

Creating centralized plans for workers within a denomination would appear feasible and could have some important advantages when it comes to attracting and retaining workers within that particular denomination. As a tool for

expanding retirement plan coverage, it is more limited. Many religious groups, at least within the Christian tradition, already appear to offer denomination-wide benefits plans involving more than one employer.¹¹⁷ While an expansion of such arrangements would likely improve efficiency, and could extend coverage to some employees and contractors who are not covered by existing retirement benefits, its overall impact on America’s retirement security challenge would likely be small.

A potentially more far-reaching approach would be for faith groups to sponsor portable non-employer retirement benefits for the members of their community. The addressable uncovered group here is, in theory, very large. If we assume 55 million Americans lack access to a workplace retirement plan,¹¹⁸ and 36 percent of those attend religious services once a week or more (assuming the same proportion as the population as a whole¹¹⁹), then there is a pool of nearly 20 million regular participants in faith communities who could be served by a faith group-sponsored portable non-employer retirement benefit. Where the faith community already sponsors a retirement arrangement for its employees – especially where that arrangement has scale, as in the Wespath example – there could be opportunities to extend access to that arrangement to the broader faith community.

A number of issues and questions arise in considering whether such a model would work well:

- The broader faith-based model may not align with the vision of portable non-employer retirement benefits as a workplace-based arrangement. While Wespath is a workplace-based arrangement for the United Methodist clergy and lay workers, it would lose its occupational character if it were offered to the United Methodist parishioners, and would look more like a retail retirement account.

¹¹⁷ For example, the Church Benefits Association, a group bringing together approximately 50 church pension boards, religious orders, and denominational benefit programs, has existed since 1915. Its members manage over \$60 billion in pensions and health plans, and represent over 250,000 members of clergy and other church-related employees (Church Benefits Association, “Did You Know?”, accessed November 2018. www.churchbenefitsassociation.org; Church Benefits Association, “History and Background”, accessed November 2018. https://www.churchbenefitsassociation.org/page/History_Background)

¹¹⁸ David John and Gary Koenig, “Workplace Retirement Plans Will Help Workers Build Economic Security”, AARP Public Policy Institute, October 2014. <https://www.aarp.org/content/dam/aarp/ppi/2014-10/aarp-workplace-retirement-plans-build-economic-security.pdf>

¹¹⁹ Pew Research Center, “Attendance at religious services”, accessed November 2018. <http://www.pewforum.org/religious-landscape-study/attendance-at-religious-services/>

- With membership in faith-based communities declining, there may be issues of account turnover, making administration of the plan challenging and making it less likely that the plan will remain attached to the member.
- Would members of a faith community trust religious institutions to sponsor a retirement benefit for them? Compared to associations and unions, which already offer other forms of benefits to their members, providing such benefits would be newer territory for faith groups.
- Given that the arrangement is likely to be voluntary, might faith groups make contributions more automatic? If members of a faith community regularly give to their church, synagogue, or mosque, might there be an opportunity to combine such automatic, regular donations with automatic, regular contributions into a portable non-employer retirement benefit?

CRITERION	NEED/ DEMAND IN ADDRESSABLE GROUP	TRUST	DURATION OF MEMBER RELATIONSHIPS	ALIGNMENT OF INTERESTS	ABILITY TO ENROLL	ABILITY TO PARTNER
Preliminary Rating	Medium	Medium	Medium	Medium	Low	Medium



MODEL	ADVANTAGES	CHALLENGES	KEY SEGMENTS OF WORKERS WHO COULD BE SERVED
Professional Associations	<ul style="list-style-type: none"> Many professional associations already offer member benefits; retirement benefits could serve as a natural extension May have the capacity for designing benefits that meet the unique needs of members and promoting those benefits 	<ul style="list-style-type: none"> Enrollment is usually voluntary Ability of associations to cover professionals varies widely Higher bar to make benefit attractive to members given their access to other options on the market 	<ul style="list-style-type: none"> Self-employed Employees of small and medium-sized organizations
Trade Associations	<ul style="list-style-type: none"> Potential for scale due to large memberships Use bulk purchasing and affinity arrangements to help small and medium-sized enterprises access products and services at favorable rates 	<ul style="list-style-type: none"> May not be portable from employer to employer Interests may not be fully aligned between the sponsors of the benefits and the benefit's members (sponsor's primary accountability is to the employers) 	<ul style="list-style-type: none"> Employees of small and medium-sized organizations
Sectors	<ul style="list-style-type: none"> Enable a high degree of portability Potential for large scale Workers / employers in the sector may trust their sector peers on critical human capital issues, such as retirement security Attract and retain talent within the sector 	<ul style="list-style-type: none"> May not have a natural organizing body, potentially leading to a collective action problem Where the sector is fragmented, resources required to market and scale the plan may be considerable In sectors where inter-sector mobility is high, portable non-employer retirement benefit program may not work 	<ul style="list-style-type: none"> Lower- and moderate-income workers Contingent workers Employees of small and medium-sized organizations
Labor Unions	<ul style="list-style-type: none"> Potential to use portable benefits as a tool to grow / organize Ability to bargain collectively (leading to mandatory enrollment) Aligned interest between labor unions and their members Strong potential alignment between the mission of labor organizations – enhancing economic security for working people – and the creation of a retirement vehicle 	<ul style="list-style-type: none"> Union density is already very low and has been falling Many members already have workplace retirement plans Without centralized collective bargaining, may be difficult to make plans mandatory Lack of tools or resources to effectively promote benefits to members or partner with the private sector to design and deliver 	<ul style="list-style-type: none"> Lower- and moderate-income workers Contingent workers
New worker Organizations	<ul style="list-style-type: none"> Strong alignment of interests with workers who would participate in the portable non-employer retirement benefits Workers may trust these organizations more, increasing probability of enrollment 	<ul style="list-style-type: none"> Scale, operational capabilities, and independent funding are required for these organizations to become effective sponsors Need ways of enrolling members absent of collective bargaining 	<ul style="list-style-type: none"> Contingent workers
Payroll Companies	<ul style="list-style-type: none"> An easy access point for employers who wish to add retirement benefits for their employees Reduced cost and administrative complexity 	<ul style="list-style-type: none"> Benefits may not be portable from job to job or be eligible for non-employees 	<ul style="list-style-type: none"> Employees of small and medium-sized organizations
Platform Companies	<ul style="list-style-type: none"> Access to large numbers of contingent workers Experienced in forming business partnerships; capability to integrate retirement plan provider technology with platform's technology, could make enrollment more seamless 	<ul style="list-style-type: none"> May be reluctant to promote retirement benefits for fear of jeopardizing the independent contractor status of workers Short job tenure may reduce portability Workers may not trust the platform companies 	<ul style="list-style-type: none"> Contingent workers
Faith Groups	<ul style="list-style-type: none"> Access to many uncovered workers Members may be very trusting of the organizing group For communities that already sponsor a retirement arrangement for their employees, especially where scale exists, could extend access to the broader faith community 	<ul style="list-style-type: none"> May look like a retail arrangement if it is purely voluntary With declining members, potential issues of high account turnover Members of a community may not trust religious institutions for financial products 	<ul style="list-style-type: none"> Any types of uncovered/ underserved workers



Building Portable Non-Employer Retirement Benefits that Work

So far, the paper has discussed whom portable non-employer retirement benefits might serve and who might offer them. But how do we know if these benefits will work? How do we know they will be high-quality, providing good value for money, operating in the best interests of members, covering a large number of workers, and operating under a business model that is sustainable in the long term? This section discusses two interrelated factors that will help determine the effectiveness of portable non-employer retirement benefits: good design and scalability.

Good Design

The promise of portable non-employer retirement benefits is not just that they can provide access to a workplace-based retirement arrangement, but also that they can provide a *high-quality* benefit to workers who are uncovered or underserved today. One way of measuring quality is by looking at the efficiency with which a retirement arrangement translates savings today into retirement income tomorrow – its value for money.

Four key design principles can help enable the success of portable non-employer retirement benefits. While it will not be possible to follow all four principles in every case, following even one or two of them to start can make a material difference in a worker's retirement security. And all four can help create a vision for what a "best-in-class" portable non-employer retirement benefit might look like in the long run.

DESIGN PRINCIPLE	DESCRIPTION
Members-First	The benefit is structured so as to elevate the interests of members over those of other stakeholders, and align interests so as to maximize retirement value for the member and continuously improve the benefit as it grows and matures
Automatic	The benefit makes contributions automatic, minimizing the risk of suboptimal retirement outcomes due to inaction by workers
Life Cycle	The benefit stays with the member throughout the working years, as well as through retirement, serving as a life cycle vehicle during both the savings and the payout, or accumulation and decumulation, phases of retirement finance
Risk Pooling	As the benefit scales, it looks for ways to pool risks for members, including investment and longevity risk

Principle 1: Members-first. A growing body of global evidence suggests that retirement plans with member-focused governance structures produce superior outcomes compared to those without such structures.¹²⁰ A members-first approach can entail one or more of the following:

- All those involved with the oversight and delivery of the benefit have a fiduciary duty – a legal duty to put participant interests first.
- Setting the benefit up on a not-for-profit basis so that any surplus or margin earned by the benefit is either returned to members or reinvested in improved service.¹²¹ In Europe and other parts of the world, this approach is often referred to as “profit-for-members.”¹²² Such structures often involve for-profit providers, but structure the benefit or plan itself as a not-for-profit.
- Establishing a governance structure that includes some member representation, is free of conflicts of interest, and has the combination of skills and

experience necessary to oversee a retirement program, including both experience in disciplines associated with retirement security (for example, investment, administration, governance, plan design, and technology), and a knowledge of the membership, employer base, and broader community that the retirement benefit is designed to serve.

Principle 2: Automatic. Retirement savings can be meaningfully improved as a result of mandatory or automatic contributions.¹²³ For behavioral reasons, contributions into the portable non-employer retirement benefit should be as automatic as possible. Where the benefit is delivered through a participating employer, it is obvious how to achieve this: through payroll deduction, using either mandatory or automatic enrollment. Where the participant does not have access to payroll deduction, the challenge is how to mimic the function that payroll deduction provides for employees: the combination of saving without having to act, not seeing (and therefore not

¹²⁰ On the value of competent, fiduciary governance, see, for example, World Bank Group, “The Evolution of the Canadian Pension Model: Practical Lessons for Building World-class Pension Organizations”, 2017. <http://documents.worldbank.org/curated/en/780721510639698502/pdf/121375-The-Evolution-of-the-Canadian-Pension-Model-All-Pages-Final-Low-Res-9-10-2018.pdf>; Keith Ambachtsheer, Ronald Capelle, and Hubert Lum, “Pension Fund Governance Today: Strength, Weaknesses, and Opportunities for Improvement,” ICPM working paper, International Centre for Pension Management, 2006. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.179.101&rep=rep1&type=pdf>; Wilson Sy, “Superannuation fund governance: an interpretation”, Australian Prudential Regulatory Authority, 2008. https://www.researchgate.net/profile/Wilson_Sy/publication/242612296_Superannuation_fund_governance_An_interpretation/links/58f60348aca27289c21dab8f/Superannuation-fund-governance-An-interpretation.pdf; World Bank, “Outcome Based Assessments for Private Pensions”, June 2016. <http://documents.worldbank.org/curated/en/727671474350439003/pdf/ACS18888-v2-PUBLIC-OBANHandbookforReviewersJuneFinalCoverSheetPartTwo.pdf>; Wilson Sy, “Measured Investment Inefficiency of the Australian Superannuation System” (Report to Australian Productivity Commission), 2018. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3215838

¹²¹ Yale Chief Investment Officer David Swensen has commented on the value of not-for-profit investment governance versus typical for-profit mutual fund governance in his book, “Unconventional Success: A Fundamental Approach to Personal Investment”, 2005.

¹²² See, for example, Will Sandbrook, “What the US Can Learn from British Pension Plans”, The Aspen Institute blog, September 26, 2018. <https://www.aspeninstitute.org/blog-posts/what-the-us-can-learn-from-british-pension-plans/>

¹²³ See, for example, Vanguard, “How America Saves 2018”, 2018. https://pressroom.vanguard.com/nonindexed/HAS18_062018.pdf; John Beshears, James J. Choi, David Laibson, and Brigitte C. Madrian, “The Importance of Default Options for Retirement Savings Outcomes: Evidence from the United States”, National Bureau of Economic Research, 2009. <https://www.nber.org/chapters/c4539.pdf>

missing) the money, and maintaining some regularity of contributions (including increases in contributions where “auto-escalation” features are used). “Automatic” need not mean the same contribution in each pay period, as payroll deduction has typically been structured. For workers who experience cashflow volatility, for instance, some variability in contributions may be necessary; the challenge in these cases is how to automate contributions in a way that is optimized for the person’s financial situation.

This problem could be addressed through technology, psychology, or some combination. Ideas for creating automaticity without payroll include:

- For associations or other groups that collect dues, making retirement contributions an automatic part of dues collection, or automatically enrolling the member in a retirement plan as part of his or her onboarding as a member of the group.
- For freelance or self-employed workers who are represented by some kind of union or new worker organization, negotiating mandatory or automatic retirement contributions into standard contracts with the organizations that provide income to these workers (for example, book deals between publishing houses and writers).
- Building automatic contributions to a portable non-employer retirement benefit into the member’s stream of spending, rather than his or her stream of pay. Acorns, a fintech company, has an app that allows users to save a proportion of their spending.¹²⁴ Similarly, credit card providers such as EvoShare and TD Bank also offer options that embed savings into their credit card programs.¹²⁵ An association or union might offer a sponsored credit card through its affinity program and then direct any credit card-directed savings into its portable non-employer retirement benefit.

- “Train the trainer” programs and community-based representatives could help engage other members of the community in the portable non-employer retirement benefits program. Fonds de solidarité FTQ is a Quebec-based, labor-sponsored fund that encourages workers to save for retirement by investing in the local economy.¹²⁶ Today the fund has net assets of CA\$14.8 billion, has over 650,000 participants, and relies on a base of over 1,700 union representatives who promote the savings program at their workplace.¹²⁷

Principle 3: Life cycle. Retirement arrangements are most effective if they stay with the member for the long term. Ideally, members would be able to stay in the retirement benefit arrangement as they move between jobs, as they change employment status (for example, employee to contractor), and after they retire. This is not just a matter of the portability of the plan, although that is a key feature; it is also a matter of the plan’s design.

Most 401(k)s and other employer-sponsored retirement plans in the US help members accumulate a nest egg, but do little to help them in the post-retirement phase. Portable non-employer retirement benefits should design for both phases and should take responsibility for the member’s retirement finances during both their working years and their post-retirement life.



¹²⁴ Acorns, “Invest your spare change”, accessed November 2018. <https://www.acorns.com/>

¹²⁵ EvoShare, “Retirement, powered by spending”, accessed November 2018. <https://evoshare.com/>; TD Canada Trust, “How to be a better saver”, accessed November 2018. <http://www.tdcanadatrust.com/planning/everyday-finances-made-easy/everyday-finances-made-easy/better-saver.jsp>

¹²⁶ Fonds de solidarité FTQ, “Who we are”, accessed November 2018. <https://www.fondsftq.com/en/a-propos/qui-sommes-nous.aspx>

¹²⁷ Fonds de solidarité FTQ, “Our history”, accessed November 2018. <https://www.fondsftq.com/en/a-propos/notre-histoire.aspx>; Fonds de solidarité FTQ, “What’s an “LR”, accessed November 2018. <https://www.fondsftq.com/en/particuliers/faq/discover-the-fonds/what-is-an-lr>

The good news is that, unlike employers, many of the sponsoring organizations discussed in this paper have an incentive to encourage retired members to stay in a portable non-employer retirement benefit. Doing so may help an association or union retain a link to its members after they leave the workforce. This means that the demand for decumulation solutions from these kinds of sponsors is likely to be higher than that of employer sponsors. Such sponsors are arguably more likely than employers to be receptive to innovative post-retirement solutions from providers, and to push the market to develop new products, services, and strategies to help plan participants manage common post-retirement risks and issues.

To take maximum advantage of benefits that are designed for the full financial lifecycle, members would ideally stay in a portable retirement benefit for as long as possible. Those participants who do not remain attached to a single association, union, sector, or platform company for their entire financial life could be allowed to continue to participate in the retirement benefit even after they have ceased to be members of the sponsoring organization.

Principle 4: Risk pooling. Another way for portable non-employer retirement benefits to create value for members is by including some kind of risk pooling. The retirement plan design debate is often presented as a binary choice between defined contribution, in which members either bear virtually all of the risk, and defined benefit, in which risk is borne almost entirely by the sponsor. However, international best practice is increasingly landing somewhere in between these two poles.¹²⁸ There are many different ways to achieve, and to express, this combination between defined benefit and defined contribution – target plans, shared risk plans, defined ambition plans, collective defined contribution plans, pooled plans, hybrid plans, cash balance plans, and more. Admittedly, risk pooling is not yet an approach that has been widely adopted in the US, so it is likely to be more of a long-term aspiration rather than an early design feature of portable non-employer retirement benefits.

Two main kinds of retirement-related risk can be pooled: investment risk and longevity risk. Investment risk pooling protects members against the impact of a market downturn that occurs at the “wrong” time from a member perspective, such as right before a planned retirement. Longevity risk pooling protects



¹²⁸ On the limitations of the “DB versus DC” debate, and on the virtues of a “defined ambition” model, see Keith Ambachtsheer, “The Future of Pension Management: Integrating Design, Governance, and Investing”, 2017.

members against the risk of outliving their money. Pooling can be achieved through the nature of the contract with plan members, or by providing in-plan options (such as annuities or other longevity risk pooling vehicles) for members in the near- and post-retirement phase. The risk in this case could be borne by a financial institution, such as an insurance company, or by the pool of plan members themselves.¹²⁹

Scalability

For portable non-employer retirement benefits to have an impact, for them to achieve a scale at which they can incorporate all the design principles laid out above, for them to cover and make a difference in the financial lives of a meaningful number of Americans, they need to grow.

Compared to retirement plan design, the growth of workplace-based retirement arrangements is a much less developed discipline. In a traditional, single-employer-based defined benefit pension, growth may not be a major issue for its sponsor. Being a member of the plan is a condition of employment for employees. In that sense, the plan has already achieved maximum penetration of its addressable “market”: the employee base of the company that sponsors the plan.

The advent of 401(k)s with greater member choice has made growth more of a concern, especially where participation in a workplace plan is not mandatory. Behavioral techniques such as auto-enrollment or auto-escalation have helped improve participation and savings rates, and therefore the growth of the plan. But this can be thought of as a relatively simple growth problem, as it occurs within the self-contained and relatively controlled environment of an employer, with centralized human resources, finance, and management functions, and with the huge advantage that all participants are usually linked with one central payroll system.

Growth has been much more of the province of the retail retirement industry. As more and more Americans prepare for retirement on their own, the retail industry has gained decades of practice learning how to attract and retain millions of American savers and retirees as clients and customers. A successful portable non-employer retirement benefits market would seek to learn from the retail industry’s successes and engage some of its talent and assets.

In addition, to be able to efficiently reach populations the retail industry has struggled to serve, an expanding portable benefits market will need to develop its own unique growth strategies and tools. These strategies and tools could harness the power of the collective and draw from a combination of public policy, community organizing, social psychology, technology, and other disciplines.

¹²⁹ Retirement scholar Moshe Milevsky has advocated for the use of a vehicle called a tontine, a financial instrument invented in the 17th century, to achieve this longevity pooling goal. Moshe Milevsky, “King William’s Tontine: Why the Retirement Annuity of the Future Should Resemble Its Past”, 2015.

Next Steps in Testing and Building the Market

This section reviews some potential next steps in building a market for portable non-employer retirement benefits. First, it explores some experiments and pilots that could help clarify the optimal design and distribution. Second, it lays out a series of enablers that could help strengthen the ecosystem and expand the market for portable non-employer retirement benefits.

Experiments and Pilots

The following are some initial ideas for incremental next steps that stakeholders could take to assess the demand for, and the optimal design of, portable non-employer retirement benefits:

- Conduct research around the opportunity to pilot a sector-wide plan for a given sector, for example the not-for-profit sector. The focus of the initial research could be limited to both a sub-sector (e.g., the arts) and a geography (for example, three cities on the East Coast) with a goal of reporting on the following issues: (i) the financial lives and needs of the target group in the sub-sector; (ii) lead partners (both employers and not-for-profits); (iii) defining and quantifying the potential size of the sub-sector and target market; (iv) building a business model on the basis of the data collected.
- Conduct polling or survey research with a potential sponsor of a portable non-employer retirement benefit to measure existing levels of trust in and demand for a value-for-money portable retirement offering offered by that group.
- Conduct research with a membership-based potential sponsor (for example, association, labor union, faith group) on the financial lives of its members and on the optimal design of a portable non-employer retirement benefit so as to create maximum value for members.
- Conduct research or pilots on how affiliation with a group or community can be used to encourage enrollment in a retirement plan, where automatic or mandatory enrollment through payroll is not

possible. This work could engage disciplines such as marketing, behavioral economics, social psychology, adult learning theory, and organizing.

Enablers

Below are some initial ideas for enablers that could help expand the market for portable non-employer retirement benefits. These would no doubt be built out further in collaboration with the actors described above.

- **Policy framework.** A federal policy framework around portable non-employer retirement benefits would help eliminate some of the legal barriers and ambiguities associated with establishing portable non-employer retirement benefits.¹³⁰ Four commonly-identified examples of such barriers are: (i) the requirement that employers in a multiple employer arrangement must have some commonality of interest; (ii) limits on the kinds of non-employer organizations that can sponsor retirement plans; (iii) the “one bad apple” rule that holds that rule violations by one employer within a multiple employer plan could put the entire plan at risk; and (iv) perceptions that employers that participate in retirement plans (without being formal sponsors) will be held to a sponsor-like fiduciary standard, even though they are not sponsoring the plan. A recent legislative example of a framework to encourage multiple employer plans is the Retirement Enhancement and Savings Act (RESA), which would make it easier for associations or groups of employers to form pooled retirement plans. The US Department of Labor (DOL) also recently proposed a rule that would eliminate some, but

¹³⁰ For an overview of the key policy and regulatory barriers to expanding multiple-employer plan (MEP) coverage, see Phil Waldeck, Robert J. Doyle, and John J. Kalamarides, “Closing the Retirement Savings Coverage Gap”, Prudential, 2018. http://www3.prudential.com/email/retirement/IMEFPWeb/hosted_documents/1011640-00001-00.pdf

not all, of the above barriers to the expansion of multiple employer plans, and would also allow certain Professional Employer Organizations to sponsor retirement plans.¹³¹ Under the DOL's proposed rules, retirement plans can be offered by associations of employers at a local, state, multistate, or nationwide level, and can be open to sole proprietors and their families, as well as to employees.¹³² Beyond encouraging multiple employer plans, a policy framework around portable non-employer retirement benefits could:

- Facilitate the portability of accounts when participants move from one arrangement to another.¹³³
 - Provide employers with more clarity around the distinction between independent contractor and employee status, and how offering different types of retirement benefits (payroll deduction IRA, 401(k), other new types of plans) will affect that distinction.
 - Clarify and reduce the perceived legal risk associated with sponsor-provided post-retirement income options.
- **Centralized bargaining.** As illustrated by the SEIU 775 and WBF examples, the creation of portable non-employer retirement benefits at scale is enabled where there is some kind of central requirement to join the plan – or at least to be automatically enrolled in the plan with the ability to opt out. Where the workforce involved is unionized, as in the case of home care workers in the state of Washington, this can be achieved through centralized collective bargaining, where a single table is used to negotiate agreements for large numbers of workers and employers. A centralized approach to bargaining, which was critical to the emergence of Australia's superannuation system,¹³⁴ can allow participation in a benefits program to scale much more quickly than an employer-by-employer approach.

- **Mandatory contributions or levies.** Where there is no collective agreement involved, as is the case for much of the private and not-for-profit sectors, governments could require some kind of mandate or levy requiring employer or customer contributions into a portable non-employer retirement benefit. One example of this enabler for the contingent workforce is New York's Black Car Fund, which charges a 2.5 percent surcharge on rides and uses this to fund benefits and workers' compensation.¹³⁵ As illustrated by the WBF case study, benefits provisions can be piloted with specific groups of workers in specific industries and potentially scaled up from there.
- **Marketplaces.** The creation of marketplaces for portable non-employer retirement benefits could help reduce the friction associated with growing the market. Marketplaces could also perform an important matching function by helping both employers and contract workers identify portable non-employer retirement benefits that would suit their needs. Portable non-employer retirement benefits marketplaces could be established by governments (as in Washington state's retirement plan marketplace¹³⁶), by private companies (as in Stride's marketplace of health and other benefits for independent workers), or by not-for-profit organizations.
- **Funding.** Given the potential social and economic benefits associated with portable non-employer retirement benefits, they could be of interest to private, impact-oriented, philanthropic, and public interest funders. Greater availability of funding for experiments, pilots, and new ventures in this space would help accelerate learning and activity. Governments, foundations, impact investors, and more traditional return-oriented investors are all potential candidates to play an important role, particularly if they have an interest in topics such as the future of work, financial security and inclusion, and economic protections for working people.

¹³¹ Employee Benefits Security Administration, "Definition of 'Employer' under Employee Benefits Retirement Income Security Act - Association Retirement Plans and Other Multiple-Employer Plans", 2018. <https://www.regulations.gov/document?D=EBSA-2018-0007-0001>

¹³² Lee Barney and John Manganaro, "DOL Seeks to Expand Access to 'Association Retirement Plans'", PLANSPONSOR, October 22, 2018. <https://www.plansponsor.com/dol-seeks-expand-access-association-retirement-plans/>

¹³³ For a discussion of this challenge and some opportunities to address it, see Ben White, "The Story Behind 16 Million Abandoned Retirement Savings Accounts", The Aspen Institute Financial Security Program blog, June 6, 2018. <https://www.aspeninstitute.org/blog-posts/the-story-behind-16-million-abandoned-retirement-savings-accounts/>. The Department of Labor has recently proposed some measures to facilitate the consolidation of small retirement accounts and automate the portability of retirement assets (US Department of Labor, "News Release: US Department of Labor Announces Proposal Related to Retirement Asset Auto Portability", November 7, 2018. <https://www.dol.gov/newsroom/releases/ebsa/ebsa20181107>)

¹³⁴ Interview with Dirk Dobbs and Neil Saxton, Head of Strategy Management & Product and Executive of Partnership Engagement at HESTA, respectively.

¹³⁵ The Black Car Fund, "F.A.Q.'s", accessed November 2018. <http://www.nybcf.org/faqs/>

¹³⁶ See www.retirementmarketplace.com.

- **Communities of practice.** The market's success could also be accelerated by establishing an inclusive "community of practice" among these committed actors. Such a community could assist with networking and relationship formation, deepen collaboration, and help all those involved to learn more quickly about what works and what doesn't. Including a broad group of relevant stakeholders is important to the community's success.

A Potential Catalyst for Policy Action

Many advocates and retirement policy experts believe that meaningful progress on America's retirement security challenge will not be possible without some kind of bold and forward-looking national policy action. Often, they point to the need for some kind of mandatory or automatic enrollment policy at the federal level. Such recommendations follow international examples such as Australia, which requires that employers contribute 9.5 percent of employees' pay into a superannuation fund,¹³⁷ and the UK, which mandates that all employers automatically enroll their workers in a retirement plan, but gives workers the ability to opt out.¹³⁸

There is good reason to believe a strong market for portable non-employer retirement benefits will make it more, rather than less, likely that such bold policy action could take place in

the future. The expansion of the portable non-employer retirement benefits market could also make future policy action more effective. To understand why, it is useful to look at the two countries most commonly cited as examples of mandatory or automatic enrollment policies: Australia and the UK.

Most Australians are covered by one or two types of superannuation fund: industry funds and retail funds. Industry funds have a not-for-profit, trust-based structure and are typically governed by a combination of worker representatives and employer or industry association representatives. There are 38 industry funds in Australia, representing about 11.6 million accounts and roughly AU\$650 billion (US\$470 billion) in assets.¹³⁹ Retail funds operate under a for-profit structure and are run by financial institutions. There are 118 retail funds in the country, representing about 11.4 million accounts and also about AU\$630 billion (US\$450 billion) in assets.¹⁴⁰

Some industry funds predated the introduction of the government mandate in 1992. Part of this was accelerated by the bargaining position of the Australian Council of Trade Unions (ACTU), which won mandatory employer contributions into industry funds during the 1980s. The first two superannuation funds, LUCRF (Labour Union Co-operative Retirement Fund)¹⁴¹ (established



¹³⁷ Industry SuperFunds, "Super Guarantee", accessed November 2018. <https://www.industrysuper.com/understand-super/super-guarantee-calculator/super-guarantee-changes/>

¹³⁸ GOV.UK, "Workplace pensions - what your employer can and can't do", accessed November 2018. <https://www.gov.uk/employers-workplace-pensions-rules>

¹³⁹ The Association of Superannuation Funds of Australia, "Superannuation Statistics", accessed January 2019. <https://www.superannuation.asn.au/resources/superannuation-statistics>

¹⁴⁰ Ibid.

¹⁴¹ Rhonda Sharp, "The Hawke Legacy" (Chapter 15, The super revolution), 2009. Today, LUCRF has about 160,000 members, 22,000 employers, and AU\$6 billion (US\$4 billion) in assets under management (LUCRF Super, "Australia's first industry fund", accessed November 2018. <https://lucrf.com.au/about-lucrf>)

by the Federated Storeman and Packers Union in 1978¹⁴²) and Cbus (Construction and Building Unions Superannuation)¹⁴³ (established by unions in the construction and building industries in 1984¹⁴⁴), entered an industry dominated by life insurance firms and differentiated themselves due to their low fees.¹⁴⁵ This position by the Australian labor movement was originally seen in the early and mid-1980s as an interim step on the way to a national superannuation scheme. However, the national superannuation scheme later fell off the table as a policy priority, and some unions began to prefer industry superannuation to a government-run scheme.¹⁴⁶ Before the government mandated employer contribution into superannuation funds in 1992, approximately 64 percent of all employees had superannuation coverage.¹⁴⁷

The growth of industry superannuation has generally delivered good results for Australian workers. Today, industry superannuation funds would usually be the default option for workers in that industry, but many industry superannuation funds are public offer funds, meaning that anyone can join. Recent research has shown that industry superannuation funds have tended to outperform retail funds by a material margin.¹⁴⁸ This performance difference, and specifically the underperformance of the retail superannuation industry, has recently become a topic of national discussion in Australia and the object of considerable scrutiny from a Royal Commission investigating practices in Australia's financial services sector.¹⁴⁹

One example of an Australian industry superannuation fund that predated the compulsory contribution mandate is the Health Employees Superannuation Trust



Started in **1987**

850,000+ participants

\$33B in AUM

Australia (HESTA). Founded in 1987, HESTA was established to serve workers in the health and community industries as a result of collective bargaining that required a portion of the wage increase to be paid into an occupational superannuation fund. Now it has grown to a AU\$46 billion (US\$33 billion) fund with more than 850,000 members.

In the UK, the closest equivalent to what this paper calls portable non-employer retirement benefits are what are known as "Master Trust" retirement arrangements.¹⁵⁰ Master trusts are trust-based defined contribution plans involving multiple employers. They benefit from economies of scale and provide a level of governance that is difficult to replicate in a single-employer arrangement. Just as industry superannuation funds predated the Australian policy of mandatory employer contributions, master trusts came into being before the UK

¹⁴² LUCRF Super, "Australia's first industry fund", accessed November 2018. <https://lucrf.com.au/about-lucrf>

¹⁴³ Rhonda Sharp, "The Hawke Legacy" (Chapter 15, The super revolution), 2009. Today, Cbus has about 780,000 members and AU\$48 billion (US\$34 billion) in assets under management (Cbus, "Who we are", accessed January 2019. <https://www.cbussuper.com.au/about-us/who-we-are>)

¹⁴⁴ Rhonda Sharp, "The Hawke Legacy" (Chapter 15, The super revolution), 2009.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

¹⁴⁷ Leslie Nielson and Barbara Harris, "Chronology of superannuation and retirement income in Australia", Parliament of Australia, February 6, 2008. https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/0708/ChronSuperannuation

¹⁴⁸ Wilson Sy, "Measured Investment Inefficiency of the Australian Superannuation System" (Report to Australian Productivity Commission), 2018. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3215838

¹⁴⁹ Interview with Wilson Sy, former principal researcher with the Australian Prudential Regulation Authority.

¹⁵⁰ For a discussion of the relevance of UK Master Trusts to the US context, see Will Sandbrook, "What the US Can Learn from British Pension Plans", The Aspen Institute blog, September 26, 2018. <https://www.aspeninstitute.org/blog-posts/what-the-us-can-learn-from-british-pension-plans/>

government introduced its automatic enrollment policy in 2012. Master trusts emerged in part as a way to “soften the blow” in the transition of employer-sponsored plans from defined benefit to defined contribution: even if such moves shifted risk to the member, at least the master trust structure was able to preserve the trust-based governance model commonly associated with UK defined benefit plans.

the people's pension

Launched in **2012**, parent co.

B&CE was founded in **1942**

4M+ members

80,000+ employers

\$6B in AUM

One example of a UK version of a portable non-employer retirement benefit that predated automatic enrollment is a not-for-profit entity called B&CE.¹⁵¹ B&CE was established in the 1940s as a joint effort between unions and employers in the construction sector to administer paid time off or “holiday pay.” By the 2000s, the organization was providing a broader suite of benefits to construction industry workers, including retirement benefits. Before automatic enrollment was introduced, B&CE had nearly half a million construction workers enrolled in its retirement plan.

When automatic enrollment was introduced in 2012, B&CE decided to serve members outside of the construction industry, an entity now known as The People’s Pension. Today, The People’s Pension has over 4 million members and, outside of NEST (the master trust arrangement set up by the government to coincide with the introduction

of automatic enrollment), has the largest share of the automatic enrollment market.

The Australian and UK examples illustrate a number of ways in which the expansion of a private market for portable non-employer retirement benefits can complement government policy action. First, it can increase the efficiency of retirement arrangements that might eventually become part of a mandatory or automatic enrollment market, as in the example of Australian industry funds. Second, it can increase the level of competition in markets that governments attempt to create for uncovered workers – markets that traditional providers are often reluctant to serve, particularly when the customer base has lower and moderate incomes. The growth of The People’s Pension is a good example of this. Third, it can provide concrete, locally-grown examples of high-quality retirement plans for governments to emulate where they choose to set up their own plans, as the UK government did with the creation of NEST.

Conclusion: The Need for Leadership

This paper proposes an expansion of the market for portable non-employer retirement benefits as a promising strategy for strengthening retirement security in America. Variations on the portable non-employer retirement benefits model have been successfully applied in different segments of the American economy, and in a number of successful retirement systems around the world.

If they are designed well and able to scale, portable non-employer retirement benefits have the potential to create billions of dollars of economic security for uncovered or underserved American workers, including lower- and moderate-income employees, contingent workers, self-employed professionals, and employees of small and medium-sized enterprises. With the right growth model and ecosystem in place, the market for portable non-employer retirement benefits could become a major part of the retirement system, creating shared value for a wide range of stakeholders

¹⁵¹ Insights about B&CE are drawn from an interview with Gregg McClymont, Director of Policy and External Affairs for B&CE. See the case study in the Appendix for more details.

in the public, private, and not-for-profit sectors. Portable non-employer retirement benefits could become an important pillar of an occupational safety net for the 21st century. They could help America better live up to its true potential in building a world-class retirement system.

While the promise of portable non-employer retirement benefits is exciting, expanding the market for these benefits will not be easy. Each uncovered or underserved group will likely require a different approach, meaning that there is no silver bullet solution. Experimentation will be required to determine how best to reach these groups, design benefits to serve them, and scale offerings to the point where they can have a meaningful impact and become self-sustaining. The workplace-based retirement industry will have to get smarter about growth, acquiring tools from the retail industry and developing new tools based on its unique comparative advantages. As with the expansion of any category, no doubt other obstacles will emerge along the path that this paper has not considered.

Building a market will require deliberate linkages between the too often siloed conversations about financial security on the one hand, and the future of work on the other. It will require regulatory reform, including clearing away barriers to innovation and adding consumer financial protections to ensure that these innovations benefit plan participants. Non-employer organizations will need to get comfortable with, and ultimately skillful at, sponsoring retirement benefits and acting as long-term fiduciaries. They will need to learn to partner effectively with the private sector, and likewise private providers will need to adapt their products, services, and distribution capabilities to be able to better serve these non-employer organizations and their members. For the large parts of the workforce that are not represented by any organized group, new organizations may need to be formed to reach them and offer benefits that they can trust.

Experimentation will require funding from a variety of sectors. Foundations, private companies, investors (both return- and impact-seeking), and governments will need to be willing to put money behind efforts, some of

which will not succeed, in order to determine what works and to validate the true potential of the market. Given the long-term nature of retirement security, at least some of this capital will need to be patient.

Realizing the promise of portable non-employer retirement benefits will require leadership. An initial group of committed organizations and individuals is required to devote intellectual, financial, and organizational capital to efforts to test out the concepts laid out in this paper and implemented in the various case studies from across the US and around the world. This could be a civil society organization setting up a retirement benefit for its members for the first time. It could be a private provider accustomed to serving the employer market, investing in research and development to design products and services to serve a potential future market. It could be a foundation, impact investor, or venture capitalist establishing a new funding stream devoted to building and scaling new models of portable worker benefits. It could be a labor union seeding the creation of a new benefits delivery entity or guild designed to serve a group of contingent or otherwise unrepresented workers. It could also be a group of government officials at the local, state, or federal level that begins a study of what regulatory, legislative, and fiscal enablers could help accelerate the expansion of the portable non-employer retirement benefits market.

Given the scale of America's retirement insecurity challenge, now is the time to begin exploring this potential new avenue to help workers retire better in the 21st century economy.

Appendix

AMERICAN BAR ASSOCIATION RETIREMENT FUNDS CASE STUDY

The American Bar Association (ABA) Retirement Funds Program (the “Program”) was established in 1963, at a time when there were no formal retirement plans for the legal community (i.e., employees of law firms and state and local bars). It serves over 37,000 participants, including more than 1,200 solo practitioners and 4,000 law firms across all 50 states. Over the years, as new legislation came into place – the most significant being ERISA in 1974 – ABA Retirement Funds learned to comply with and navigate the increasingly complex regulatory environment. Despite these challenges, the Program continued to grow and has assets of over \$6 billion today.



ABA Retirement Funds is overseen by a board of directors, all elected by the ABA Board of Governors. As an affiliate of the ABA, ABA Retirement Funds initially was managed by employees of the ABA until the 1980s when separate staff was engaged to add dedicated resources to manage the Program’s operations and to ensure compliance with the changing regulatory environment. With a staff of only four, the Program’s operational functions are outsourced. ABA Retirement Funds is able to leverage its scale to negotiate customized services from third-party service providers for the 4,000 defined contribution plans, most of which select one of the prototype plans offered by the Program. Also, the Program is able to administer and provide services to most qualified individually designed plans that have been adopted by employers.

To continue to maintain its scale and its fee negotiating abilities, the Program uses a variety of channels to encourage new employers to adopt the Program and establish a retirement plan, not only for firm partners, but also for their employees. ABA Retirement Funds’ outreach efforts include (1) publishing ads and preparing publications that highlight the benefits of maintaining and participating in a retirement plan; (2) attending legal conferences to meet lawyers who might adopt a plan; and (3) most of all, cold-calling those law firms that do not yet have a retirement plan in place, with some focus on law firms in states that are likely to mandate employers offer a retirement plan for employees in the near future. Once a new employer or a solo practitioner decides to join the Program, as part of the onboarding process, the Program helps the sponsor understand what type of plan may be the most suitable; however, the plan sponsor is responsible for plan selection. For example, for solo practitioners who may have difficulties predicting their annual earnings, a profit-sharing plan may be the best option given that solo practitioners may make only one contribution at the end of the year when their finances are settled.

Although it outsources its Program operations, ABA Retirement Funds has pushed for innovation in the Program over the years: it was one of the first to offer participants self-directed brokerage services in the 1990s, and it was an early adopter of target date funds in the mid-2000s before they gained significant traction.

The Program continues to search for ways to enhance services offered to participants: for example, it is currently considering the possibility of developing a retiree menu to not only better educate participants regarding the retirement phase, but also to provide specific investment solutions for retirees. Unfortunately, many participants take a distribution of their retirement plan balance in the form of a lump sum distribution when they turn 70 and transfer that amount into an IRA on recommendation from their social circles or advisors, even though participants may pay higher fees in an IRA. The goal of the retiree menu is to address such issues for the benefit of the participants, as the income phase is often a neglected part of 401(k) solutions. For retirement plans in general, so far, implementation of income solutions has been rare at best.

CO-OPERATIVE SUPERANNUATION SOCIETY PENSION PLAN CASE STUDY (CANADA)

Member-owned and not-for-profit, the Co-operative Superannuation Society (CSS) Pension Plan was established in 1939 as a result of growing co-operatives in Canada at the time, and is one of the oldest and largest defined contribution plans in Canada. The plan was set up both because it made business sense and because there was a genuine care for the workers by the employer; it was meant to attract and retain skilled employees, as well as address concerns for retiring the workforce without financial support. With assets under management of close to US\$3.5 billion, it serves approximately 47,000 members across more than 350 co-operatives and credit unions, the majority of which are small employers with fewer than 25 employees.



CSS Pension Plan's governance structure is typical within the co-operative sector but unique to the pension world. A Board of six directors oversees the plan with the help of actuaries and investment consultants, as needed. Directors are elected by and from the plan's delegate body. Half of the 36 delegates are appointed by the employers, and the other half are elected by the employees. Delegates are representatives of the members and are the only people who can change the bylaws or approve any plan changes, with guidance from the Board of Directors. Both the Board and the delegate body have fiduciary responsibility over the plan.

The plan has a 21-person staff that manages its day-to-day operations, four of whom are in-plan financial planners. They provide financial education to members and help them understand how their defined contribution plan fits into their broader financial situation so that members can make informed decisions about their plan.

The CSS Pension Plan is a good example of a multiemployer defined contribution plan working well; the key to its success is fewfold. First, and perhaps most importantly, both employers and employees participate in plan governance and design; it is crucial to have a governance model in which workers' voices are included in the decision-making process so that members' interests are prioritized. Second, the plan benefits from economies of scale through access to low-cost, professional investment management, as well as retirement planning tools and professionals. And third, the plan is simple and customizable for employers and employees.

As the CSS Pension Plan grows, it will continue to explore ways to increase take-up of in-plan financial planners and educate its members to help them better understand investment risks involved and key decisions required. The plan also aims to navigate through regulatory roadblocks to potentially include a late-life deferred annuity product and a variable payment life annuity product that CSS believes would greatly benefit its members.

SEIU 775 SECURE RETIREMENT TRUST CASE STUDY

Along with its Health Benefits and Training Partnership Trusts, the Secure Retirement Trust (SRT) is one of three Taft-Hartley Trusts under SEIU 775 Benefits Group's umbrella. These Trusts were designed to professionalize and make home care a sustainable career. Each Trust, along with the partnership of a strategic services team, works collaboratively by leveraging a shared understanding of home care workers' unique needs.



The SRT is the first of its kind in the nation: an employer-sponsored retirement plan uniquely designed for home care workers who largely serve Medicaid consumers. Initiated in 2016, the SRT is the newest Trust with the plan's first payout scheduled for the latter half of 2019. It serves a diverse population that includes over 45,000 active home care workers in Washington state, mostly female with an average age of 49, providing them with a portable 401(a) plan.

In the state of Washington, 61 percent of workers lack access to an employer-sponsored retirement plan.¹⁵² Moreover, 51 percent of home care workers have not begun any planning for retirement. Among the state's retirement plan participants, one in four use retirement assets prior to retirement.¹⁵³ These numbers illustrate that the standard retirement experience is lacking and highlight the need for and potential benefits of a secure retirement plan for home care workers.

The SRT is overseen by a Board of Trustees consisting of SEIU 775 leadership, union members, employers, and financial experts. The Board serves as a fiduciary, ensuring home care workers have access to a retirement plan specifically designed for a mobile and low-income population. For example, funds set aside for the 401(a) plan cannot be accessed until retirement age, even with financial penalty, making retirement funds less vulnerable to financial depletion. It is also the case that SRT is a portable benefit. Specifically, a worker employed by two SRT home care employers or a worker who shifts home care employment to another covered employer can seamlessly pool or continue to grow these funds.

¹⁵² Brian Bonlender, "Retirement Readiness, Washington State Retirement Preparedness Study", State of Washington Department of Commerce, November 2017. <http://www.commerce.wa.gov/wp-content/uploads/2017/12/Commerce-Retirement-Readiness-Study-2017.pdf>

¹⁵³ Ibid.

WORKERS BENEFIT FUND CASE STUDY

Workers Benefit Fund (WBF) provides portable health and vision benefits to gig economy drivers in New York City through the Independent Drivers Guild (IDG). IDG, representing over 85,000 for-hire vehicle drivers (not taxi drivers), was established to build worker power. Many drivers were leaving the industry because of the lack of benefits, so the Guild was formed to better protect workers and provide essential benefits to them.

Currently in the process of being rolled-out to drivers, the WBF pilots are funded by the Black Car Fund. The Black Car Fund provides workers' compensation coverage to over 130,000 app-based and non-app-based black car drivers and was established through a deal negotiated with New York State in 1999. Its revenue is derived from a 2.5 percent consumer surcharge on all rides.¹⁵⁴

WBF's approach to providing benefits has two critical elements: trust and ubiquity. The drivers are barraged with messages through platforms and other media. WBF works with IDG to send messages to drivers to inform them that they have earned these benefits. This builds trust with the drivers by attaching benefits to a trusted partner, and focuses the drivers on their entitlement to the benefits.

This level of ubiquity has yielded results, but distribution is often a challenge. One roadblock is restricted access to ride-share companies' data on their drivers that would be relevant for benefits providers. Although some argue that platform companies themselves would be better suited to provide benefits due to their technological prowess and access to worker data, others have highlighted that the companies may lack the trust of the gig economy workers to be an effective deliverer of benefits. More importantly, providing benefits risks the status of those workers as independent contractors, thereby jeopardizing the cost structure of the platform companies' business.



GUSTO-GUIDELINE PARTNERSHIP CASE STUDY

In 2012, Gusto started as a technology-enabled company helping small businesses administer their payrolls with little effort. The mission of the company has since expanded to creating "a world where work empowers a better life." In line with Gusto's mission, it started providing benefits in 2015. First, it offered small group health insurance (for employers with ~50-100 employees), then it started to offer retirement benefits in 2016 through a partnership with Guideline, a company offering an all-inclusive, easy-to-use 401(k) plan. As of December 2018, Guideline had approximately 5,500 employer-sponsored plans and has \$750 million in assets under management (AUM).

In deciding which retirement benefits to offer, Gusto had a few considerations. First, it assessed both IRAs and 401(k) plans and decided to offer the latter because of higher contribution limits and potential matching from the employer. In addition, Gusto believed that non-AUM-based fees were fairer to workers than AUM-based fees because the actual cost of retirement benefits administration is related to the number of plan participants, not the level of



GUSTO



¹⁵⁴ David Rolf, "A Roadmap to Rebuilding Worker Power", The Century Foundation, 2018. <https://tcf.org/content/report/roadmap-rebuilding-worker-power/>

assets. As a result, Gusto ultimately chose to partner with Guideline, which already offered a 401(k) product with a non-AUM fee structure for smaller employers.

Employers who use Guideline directly or through the Gusto-Guideline partnership are charged a one-time fee of \$500 for setup and ongoing fees of \$8 per employee participant per month with a monthly minimum of \$40. Employees self-enroll online, and contributions are automatically deducted from payroll.

Gusto views the partnership as a product differentiator, a way to offer more value to its users. From the benefit provision perspective, Gusto differs from large payroll companies because benefits are fully integrated with its flagship payroll service – employers can view 401(k) plan details within the same online platform – as opposed to something that needs to be managed separately by the employers.

WESPATH CASE STUDY

The United Methodist Church started its first formal benefit plan in 1908, making it the second-oldest faith-based plan in the US (the Presbyterian Church started a few years earlier). The retirement benefits are now run by Wespath, a general agency of The United Methodist Church, offering both defined benefit and defined contribution retirement plans. It serves over 100,000 participants in 54 countries. For regulatory reasons, each country has a technically different plan, but Wespath uses shared services to maintain operational efficiency and ensure that the plans benefit from economy of scale. Wespath is the largest publicly reported denominational fund, serving both clergy and lay employees, and has assets under management of over \$24 billion.



Most of the plans' participants – roughly 90 percent – are part of the clergy. Pension benefits attract clergy to join and serve their communities, providing stability for the Church and, in turn, the faith communities the clergy serve. Without pension plans, clergies do not get paid very much, and they would be "signing up for a lifetime of poverty."

The United Methodist Church sees its clergies' financial security as instrumental to the denomination's success. As a result, financial planning provided through Ernst & Young is mandated when clergy enter the seminary. Financial planners who work with Wespath participants specialize in clergy and faith communities. The current usage of financial planning is still relatively low, likely around 20 percent, but this number will increase as more people join the seminary and the clergy.

Wespath has not seriously considered providing pension or retirement plans to churchgoers because it does not want to be involved in the retail business. Two potential challenges would be the contribution collection mechanism and parishioner churn. Today, contributions for pension and retirement plans for clergy and lay employees are collected through payroll because of the employer-employee relationship. Churchgoers do not have any type of formal relationships with the church, and church membership is decreasing. Furthermore, as churchgoers regularly join and leave the plan, transition costs would be difficult to absorb.

HESTA SUPER CASE STUDY

Formed in 1987, Health Employees Superannuation Trust Australia (HESTA) is an Australian superannuation fund for health and community service workers. In the 1980s, the trade union movement bargained for wage increases. It was agreed that half of the pay increase (three percent) would be paid into occupational superannuation funds – for the health and community services sector, that was HESTA. Today, HESTA is a public offer fund, which means that anyone is eligible to join. It has more than 850,000 members and US\$33 billion in assets under management. Approximately 80 percent of members are women, and the fund continues to grow at two percent per year in membership.



The fund competes with other superannuation funds (including retail funds) in the market through its “profit-for-member” value proposition and its primary distribution channel, employers. It continues to grow through partnerships with employers and unions. HESTA also offers a direct-to-member product. Because it is profit-for-members, the efficiencies gained through scale flow back to the fund to better serve members. The focus on members is the foundation for the fund’s success.

From a governance perspective, the Trustee Board of Directors consists of equal representation from both the employers and employees, six directors each, plus one independent director and an independent chair.

The fund actively works to educate and advise members, encouraging them to take an active interest in their superannuation to ensure retirement adequacy, especially as many members of HESTA work part-time, take time out of the workforce to care for others, and earn less than the average weekly wage in Australia.

THE PEOPLE'S PENSION CASE STUDY (UK)

The People's Pension, a defined contribution master trust provided by B&CE (the parent company, originally called Building & Civil Engineering Holiday Scheme Management Limited), a not-for-profit organization owned by the construction sector, has US\$6 billion in assets under management and serves over 80,000 employers and more than four million members.

The master trust model in the UK is comparable to an open multiple employer plan. The UK has a long history of single-employer pension schemes, unlike its European neighbors who tend to have larger sector-wide pension funds. In the 1980s, half of the workforce was in defined benefit plans provided by employers under a trust-based governance model. The other half was in contract-based defined contribution, "group personal pensions" that emerged from individual retail pensions. Employers would help employees set up individual contracts with insurance companies that were brokered at the group level. Once the employers completed their initial role of setting up the plan, they stepped back and did not assume further legal responsibilities. This type of arrangement was dominant in the defined contribution market until the emergence of the master trust model, the arrival of which reflected two dynamics in particular. First is auto-enrollment, which has brought nearly 10 million people – mostly lower earners whom for-profit providers historically have had little interest in serving – into pensions saving for the first time. Second is the dominance of trust-based models in the defined benefit world and the desire of larger employers to maintain that higher governance standard, even as they closed their defined benefit arrangements and moved their workforce to defined contribution arrangements. A master trust is a multi-employer trust-based arrangement; even with the involvement of the employers, a trust-based arrangement still exists between the provider's trustee board and the employee.

The auto-enrollment mandate in 2012 accelerated the prevalence of master trusts. Traditional pension providers had not targeted this market segment, so the government set up a provider – National Employment Savings Trust (NEST) Pensions – to ensure lower earners, the target of auto-enrollment, were served. Since for-profit providers are targeting segments of the market that have higher margins, competition in the auto-enrolled segment that was previously uncovered has been limited to three dominant not-for-profits: The People's Pension (best understood as the only UK equivalent to the sector-wide funds prevalent in Europe, Canada and Australia), NEST Pensions, and NOW: Pensions (a private equity venture by the Danish state provider ATP's investment arm). Together, they account for the vast majority of the 10 million auto-enrolled workers.

B&CE, the entity that set up The People's Pension, started as a national administrator in the 1940s when it was determined that all construction workers deserved paid holidays. Up until then, many construction workers did not have paid holidays because of the work's transient nature. B&CE was providing pensions to close to half a million construction workers by the late 2000s. Administering holiday pays and pensions for construction workers built B&CE a strong foundation prior to auto-enrollment. Its administration platform was designed to process contributions efficiently, which is crucial in a system where every employer, large and small, must participate. The People's Pension focused on sharpening the basics of payroll administration and is now moving to focus more on other areas such as investment. Given that it is growing fast, it appointed a high-profile Chief Investment Officer in 2018.



List of Interviewees

INTERVIEWEE NAME	BACKGROUND
Lydia Barlow	Managing Director, SEIU 775 Secure Retirement Trust
David Blitzstein	Pensions and benefits consultant focused on serving labor unions. Former Director of the Negotiated Benefits Department, United Food and Commercial Workers International Union (UFCW)
Phyllis Borzi	Board of Advisors, Institute for the Fiduciary Standard. Former Assistant Secretary, Employee Benefits Security Administration, US Department of Labor
Dirk Dobbs	Head of Strategy Management & Product, HESTA
Benjamin Geyerhahn	CEO and Co-Founder, Workers Benefit Fund
Pete Isberg	VP of Government Relationships, ADP
David C. John	Senior Strategic Policy Advisor, AARP Public Policy Institute. Deputy Director of Retirement Security Project, Brookings Institution
John J. (Jamie) Kalamarides	President, Prudential Group Insurance, Prudential Financial
Tim C. Koch	Senior Advisor, Archdiocese of Chicago. Former CFO, Wespath Benefits and Investments
Gregg McClymont	Director, Policy and External Affairs, B&CE
Martin McInnis	Executive Director, Co-operative Superannuation Society (CSS) Pension Plan
Jamil Poonja	Director of Corporate Development and Government Relations, Stride
Libby Reder	Senior Fellow, Future of Work Initiative, The Aspen Institute
David Rolf	Founder and President Emeritus, SEIU 775. Former VP, SEIU International
Neil Saxton	Executive, Partnership Engagement, HESTA
Eric Schuchman	Head of Product, Gusto
Abigail Solomon	Executive Director, SEIU 775 Benefits Group
Scarlett Ungurean	Executive Director, American Bar Association Retirement Funds
Wilson Sy	Former Principal Researcher, Australian Prudential Regulation Authority (APRA)





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