Summary of Automatic Retirement Savings Plans

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Australia

Australia's program is mandatory. Employers must contribute 9.5% of workers' paychecks as part of a program called "superannuation." The percentage is set to increase to 12% in the future. The money is invested and can be withdrawn when the worker reaches "preservation age," which (depending on year of birth) is between 55 and 60.[1]

California

California's Secure Choice program is voluntary, and employees must opt in. Enrollment in Secure Choice will be available to employees in firms with five or more employees. Once enrolled, participants will contribute to their account via automatic paycheck deductions. Workers can set their own contribution rate, but if they do not a default rate between 2% and 5% applies (the specific percentage is still to be set). For up to the first three years of the program, the amounts deducted will be invested in U.S. Treasuries or similarly low-risk investments. Later, other investment options will be made available that provide maximum possible income replacement balanced with appropriate risk.[2] Within three years after Secure Choice becomes operational, the law requires that businesses with five or more employees either must provide its workers with access to Secure Choice or establish an employer-sponsored plan, if no such plan exists.[3]

Illinois

Illinois' Secure Choice program is also voluntary, and employees must also opt in. Workers in larger Illinois firms must be given the option of automatic enrollment in Secure Choice or a private market savings vehicle, if the firm does not provide a qualified savings plan. Once enrolled in Secure Choice, workers will have 5% of earnings deducted from their paychecks as a default, with the money invested in a Roth IRA as a default. They can choose, however, to change their contribution level or fund option at any time. They can also opt out of the program altogether. Accounts are owned by individual participants and will be portable from job-to-job. The program applies to firms

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[1] Michael Keenan, "What America Can Learn From These 6 Countries' Retirement Programs," *GoBankingRates*, June 23, 2017, https://www.gobankingrates.com/investing/america-can-learn-countries-retirement-programs/

[2] John Chiang, California State Treasurer, "What This Means for Employees," *California Secure Choice,* http://www.treasurer.ca.gov/scib/employees.asp

[3] John Chiang, California State Treasurer, "Secure Choice Is Under Development," *California Secure Choice,* http://www.treasurer.ca.gov/scib/

with at least 25 employees that have been in business for two years or more. Secure Choice is set to operate a pilot program in 2018, and then phase in over time.[4]

Oregon

Oregon's program, OregonSaves, is voluntary, but eligible employees are automatically enrolled unless they opt out. Of the three American programs, OregonSaves is the most advanced, both in terms of timing, scope, and options. It began with a pilot in July 2017 for employees working in interested businesses with 100 or more employees. The next phase, which started in May 2018, involves employers with 50-99 employees. By 2019-2020, OregonSaves is meant to serve all employees, regardless of firm size. Workers are automatically enrolled, with a percentage of their paycheck deducted. The starting "default" deduction is 5% of earnings, and automatically increases by 1% per year until it reaches 10%. Workers may, however, lower the deduction to as little as 1% of earnings by increments of 1%, or raise the deduction by increments of 1% (subject to federal Roth IRA contribution limits). Workers can also prevent the percentage from increasing automatically. The amounts deducted go into a Roth IRA, but three different investment funds are available: a capital preservation fund, a "suite" of retirement date funds, and a growth fund. Workers may opt out of the program at any time. (They can also "back in" at any time.) The account is owned by the worker and is portable to any employer. Participants can withdraw their contributions at any time (subject to federal Roth IRA rules).[5] As with the California and Illinois programs, OregonSaves is only available to workers in firms that do not currently offer-employer sponsored retirement plans.[6]

[4] Michael W. Frerichs, Illinois State Treasurer, "Secure Choice," http://www.illinoistreasurer.gov/Individuals/Secure_Choice#

[5] OregonSaves, "Find Out How OregonSaves Works," https://www.oregonsaves.com/. See, also, "Contributions," https://saver.oregonsaves.com/home/account-management/contributions.html, "Investments," and "Withdrawals," https://saver.oregonsaves.com/home/account-management/withdrawals.html

[6] OregonSaves, https://www.oregonsaves.com/