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AUTO-IRA ROLLOUT GRADUALLY SPEEDING UP

By Anek Belbase, Laura D. Quinby, and Geoffrey T. Sanzenbacher*

Introduction

Six states (California, Connecticut, Illinois, Maryland, New Jersey, and Oregon) have enacted auto-IRA programs that require employers without a retirement plan to automatically enroll their workers in an IRA, with workers allowed to opt out. Auto-IRAs require much less of employers than 401(k) plans. The only things that employers need to do are register with the state, provide basic data on their employees, and update payroll procedures to allow for deductions of employee contributions.

Early data on Oregon's auto-IRA show that this process can take longer than policymakers first anticipated.[1] Although the initial deadlines for employer participation in OregonSaves were largely aspirational, since the state lacked information on what a reasonable timeline should look like, any delay on the employer side means that employees are slower to begin saving, which in turn places stress on the early finances of the program. This *brief* examines the Oregon rollout to determine whether the employer process is improving as the program matures, and to identify types of industries and employers that are taking longer to roll out the program.

The discussion proceeds as follows. The first section describes OregonSaves and its enrollment process. The second section explains the analytical framework used to explore employer rollout. The third section describes the results. The final section concludes that the rollout is getting faster as OregonSaves matures, and that small employers and those in the farming industry may especially need assistance during the start-up phase.

Background

OregonSaves, which was enacted into law in 2015, is designed to provide savings accounts to workers whose employers do not sponsor a retirement plan.[2] The program requires all employers that do not offer a qualified plan to automatically enroll their workers, who can opt out at any time.

OregonSaves requires far less from employers than a 401(k). Employers are exempt from the reporting and disclosure requirements of the Employee Retirement Income Security Act (ERISA), are not subject to the non-discrimination and other qualified plan requirements, are not subject to fiduciary risk, and are precluded from making contributions.

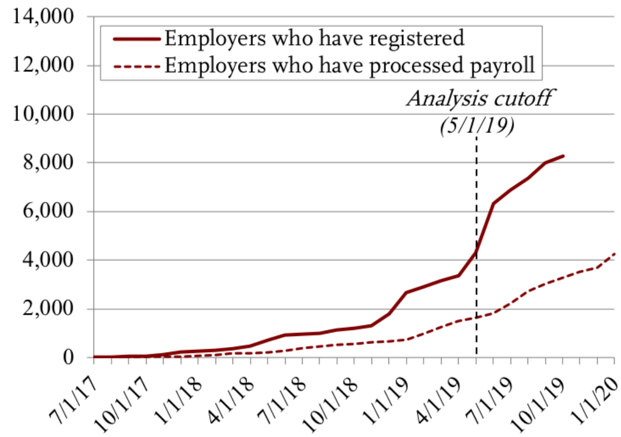
* The authors are with the Center for Retirement Research at Boston College (CRR). Anek Belbase is a research fellow. Laura D. Quinby is a senior research economist. Geoffrey T. Sanzenbacher is an associate professor of the practice of economics at Boston College and a research fellow at the CRR. The authors thank Mark Iwry and two anonymous reviewers for helpful comments. The CRR gratefully acknowledges The Pew Charitable Trusts for its support of this research.

Yet, employers do play a necessary part in program administration (see Figure 1). First, employers must register with the program, with larger firms required to register first. Specifically, firms with 100 or more employees were required to register by November 2017. Firms with 50 or more employees should have registered by May 2018, followed by firms with 20-49 employees by December 2018. The registration deadlines for firms with 10-19 and 5-9 employees were May 2019 and November 2019, respectively. Remaining small employers are expected to register no later than January 2021.[3]

Once registered, they have a 30-day window to provide employee information to the program. OregonSaves then notifies eligible employees that they will be automatically enrolled in the program unless they opt out within 30 days. After this period, employers have an additional 30 days to set up automatic payroll deductions. When the rollout proceeds according to this schedule, around three months elapse between employer registration and the start of employee contributions.[4] However, it is unclear whether this schedule set reasonable employer deadlines, since policymakers could not rely on the experience of other states to guide their expectations. And the group of employers affected, by definition, is unfamiliar with the mechanics of providing a retirement plan.

Perhaps unsurprisingly, then, OregonSaves has seen a longer-than-intended lag between employer registration and payroll submission. For example, of the over 8,000 employers that would have been expected to complete the rollout process by December 2019, only about 4,000 had actually submitted payroll. The result is that the number of employers that have processed payroll deductions for their employees has tended to lag significantly behind the number of registered employers (see Figure 2).

Figure 2. Rollout of OregonSaves by Employer Status, July 2017 to January 2020

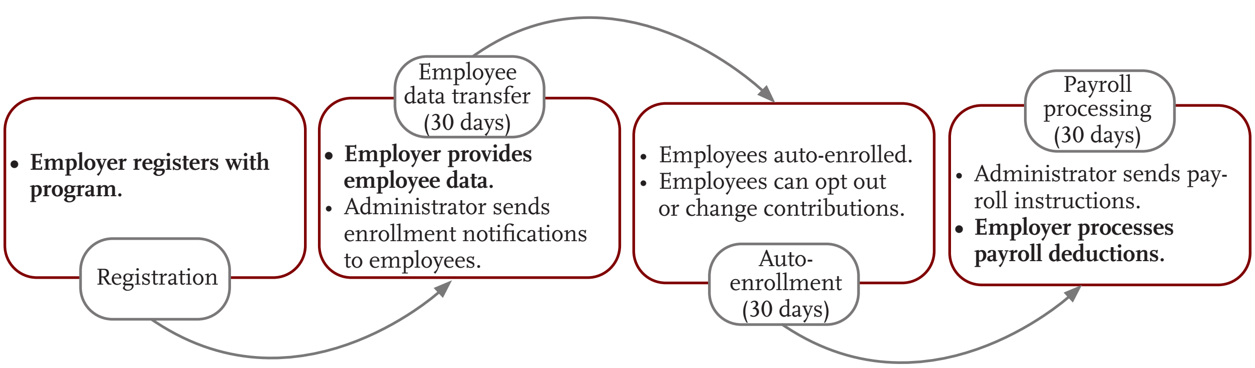


Source: Authors' calculations from OregonSaves' data.

Relating Slow Payroll Submission to Employer Type

The data on OregonSaves come from its recordkeeper, Ascensus, and cover the roughly 4,300 employers that had registered through May 1, 2019, which is the cutoff used for the analysis. As OregonSaves has be-

Figure 1. OregonSaves Rollout: From Registration to Payroll Processing, with Prescribed Times to Completion

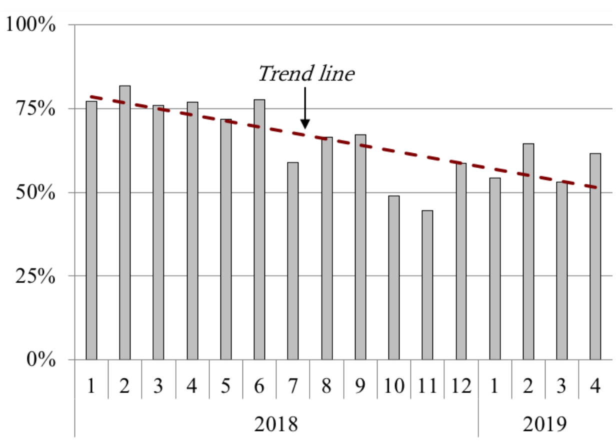


Source: OregonSaves Employer Registration Timeline.

gun to mature and has devoted more resources to the rollout, one question is whether employers are getting faster over time. Another question is the extent to which it might be effective to target assistance to a few specific industries or employer types.

As noted above, the time between registration and submission of the first payroll deductions would be about 90 days if the process accorded with the legislated timeline. To provide a little leeway, the cutoff for "on time" and "late" was set at 120 days. Figure 3 shows that the percentage of employers that are "late" has been declining over time. For example, over the first three months of 2018, about 77 percent of employers took over 120 days to submit payroll. In the last three months that data were available, the number was down to 60 percent.[5]

Figure 3. Share of Employers Taking More Than 120 Days to Submit Payroll, by Registration Month



Note: Excludes 250 employers that registered in 2017 due to the small sample size. During that period, 84 percent of employers took more than 120 days to submit payroll.
Source: Authors' calculations from OregonSaves' data.

This decline could be driven by any number of actions by the program. For example, OregonSaves has recently strengthened the support capability in its call centers. Additionally, based on feedback from employers, OregonSaves has been redesigning user-interfaces and communication material to make the overall process more employer-friendly.[6]

The characteristics of employers could also affect the pace of the process. Table 1 provides some descriptive statistics on the employers that have registered to participate in OregonSaves, including type of industry, location, and number of employees. Most employers are in the services and restaurant industries, have 10-49 employees, and are in non-urban areas. It is also worth noting that 59 percent of employers register in the last month before their deadline or later – those that take longer to register may also be likely to take longer to complete their rollouts.

Table 1. Selected Characteristics of OregonSaves Employers Registered by May 1, 2019

Characteristic	Share
Industry	
Farming	6.7%
Construction	6.5
Manufacturing	7.6
Retail	11.9
Transport	2.1
Services	33.8
Temporary help services	1.2
Restaurants	30.1
Location	
Urban	27.6
Non-urban	72.4
Number of employees	
<10	9.1
10-19	30.8
20-49	37.9
50-99	5.8
100+	16.4
Registration timing	
At least one month early	41.5
In last month or later	58.5

Note: Non-urban = less than 3,000 people in the ZIP code.
Source: Authors' calculations from OregonSaves' data.

Finally, the authors received information on the dates of over 200 field visits that OregonSaves and Ascensus employees have made to employers.[7] The goal of these visits is to teach employers about their role in the program and introduce them to resources that can help.[8] These visits are also included in the analysis to see if targeted assistance can speed up the process.

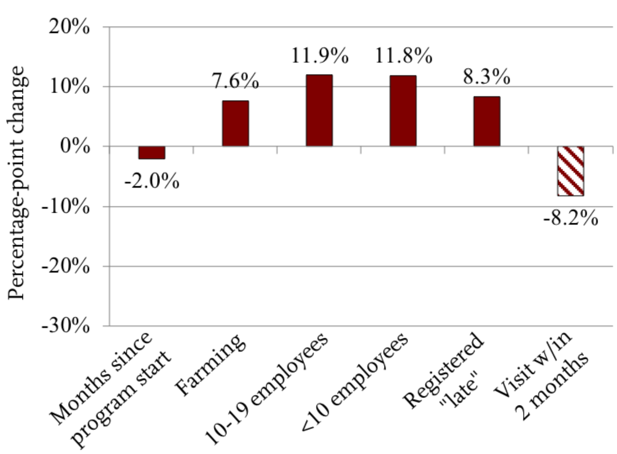
To isolate the impact of employer characteristics and the role of program maturation on the delay in payroll submission, the analysis estimates the following regression equation:

Probability (over 120 days) =
f (industry, size, location, employee age, registration date, field visit)

Results

Figure 4 highlights the main takeaways from the regression results; the full results appear in the Appendix.[9] Perhaps the most important finding is that, even controlling for the characteristics of employers that are registering, the rollout process is getting faster over time. Specifically, for each month of program maturity, the share of employers taking over 120 days to submit their first payroll drops by 2 percentage points.

Figure 4. Effects of Selected Characteristics on Probability of Exceeding 120-Day Window



Note: Solid bars are significant at least at the 5-percent level. Results are marginal effects following a probit regression.
Source: Authors' calculations from OregonSaves' data.

With respect to employer characteristics, the results suggest that employers in the farming industry are significantly slower.[10] Employers with fewer than 20 employees are also especially likely to take more than 120 days to submit payroll. And, as hypothesized, employers that register later are slower in starting the payroll deductions.

As Oregon and other states consider how to help employers speed up their rollouts, a logical approach would be to increase field visits with an emphasis on farming, small employers, and employers that registered at the last minute. The regression results suggest that a visit within two months of registration is associated with an 8.2-percentage-point reduction in the probability of going over the 120-day threshold. However, this result is not statistically significant.[11] In other words, visits likely help, but the evidence is not conclusive.

Conclusion

As states look to roll out their auto-IRAs, one goal is to encourage prompt submission of payroll deductions once employers register. Although Oregon intended the process to take just 90 days, the majority of employers take more than 120 days. The good news is that OregonSaves' rollout is speeding up as the program matures – otherwise similar employers were 2 percentage points less likely to submit payroll "late" each month since the beginning of the program.

If states want to further speed up the process, this *brief* offers some suggestions. Sending staff to employers in farming, to very small employers, and to employers that were slow to register in the first place is likely to be helpful, although more research would be useful as the programs mature.

Endnotes

1 For example, see Belbase and Sanzenbacher (2018) and Quinby et al. (2019).

2 See State of Oregon Legislature (2015).

3 The very first wave of employers to register actually consisted of a pilot group in July 2017.

4 Until recently, employers faced no penalties if they refused (or forgot) to cooperate; starting in January 2020, state law authorizes monetary penalties to be imposed on employers that neglect to transfer their payroll records to the recordkeeper.

5 If 90 days is used as the cutoff for being "late" instead of 120 days, the picture is similar, although more firms are "late." For example, the share "late" falls from about 87 percent to 70 percent over the same time period. Note that the downward trend in Figure 3 is non-linear. One period of particularly quick rollouts was October and November 2018. During this time, registration consisted almost exclusively of mid-sized employers (who tend to be relatively fast at submitting payroll) who were registering early (early registrants also tend to be fast). After this point, smaller firms and late-registering mid-size firms were the norm, both of which tend to be slower than average.

6 For example, the Ascensus technical staff recently completed a three-day retreat on how to improve the employer onboarding process.

7 In practice, program representatives made a little over 300 such visits over the time period considered, but only 70 percent could be merged successfully to the administrative data used in this *brief*.

8 Program representatives typically visit interested employers shortly after they register, but before employers have entered employee information or know which employees will choose to save through the program. A visit generally takes a half hour to two hours. It may be a few months between the visit and when employees pass their 30-day enrollment window.

9 Descriptive statistics on the raw shares of employers that take more than 120 days to submit their first payroll are included in Appendix Table A1, with the regression results in Table A2.

10 Another group that is slow is the temporary services industry, although it comprises only 1 percent of all employers.

11 The "confidence interval" – the range of values that the estimate suggests are possible – ranges from a 20-percent reduction to a 2-percent increase and includes zero. The p-value for the coefficient is 0.152. Obviously, visits that occur close to the 120-day cutoff for "on-time" are much less effective and imply the employer has not sought help until later in the process.

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APPENDIX

Table A1. Share of Employers Taking Over 120 Days to Submit First Payroll, by Characteristic

	Overall	% difference from overall
Overall	62%	--
Industry		
Farming	70	12%
Construction	64	2.6
Manufacturing	58	-6.3
Retail	62	-0.7
Transportation	60	-3.1
Services	60	-2.7
Temporary services	89	42
Restaurant	62	0.0
Employer size		
Over 100 workers	89	43
50-99	74	18
20-49	58	-7.1
10-19	61	-1.5
< 10	67	7.5
Non-urban employer	63	1.0
Registration timing		
Registered in last month/"late"	63	1.5
Registered more than one month early	61	-2.2
Average employee age at employer		
Average under 30	69	10
Average over 50	73	17
Received field visit		
Received field visit within one to two months of registering	54	-13
Received field visit within three to four months of registering	72	16

Source: Authors' calculations from OregonSaves' data.

Table A2. Effects of Selected Characteristics on Probability of Exceeding 120 Days to Submit First Payroll

Characteristic	Coefficient (Standard error)
Industry (base case = retail)	
Farming	0.0758**
	(0.0339)
Construction	0.0132
	(0.0353)
Manufacturing	-0.0297
	(0.0340)
Transportation	-0.0373
	(0.0559)
Services	-0.0226
	(0.0248)
Temporary Services	0.2430***
	(0.0549)
Restaurant	0.0026
	(0.0251)
Pilot employer	-0.2235***
	(0.0741)
Employer size (base case = >100 workers)	
50-99	0.0302
	(0.0365)
20-49	0.0068
	(0.0257)
10-19	0.1186***
	(0.0266)
< 10	0.1183***
	(0.0304)
Non-urban employer	0.0232
	(0.0161)
Registered in last month/"late"	0.0829***
	(0.0158)
Average employee age at employer	
Average age under 30	0.0829***
	(0.0212)
Average age over 50	0.1315***
	(0.0215)
Months since program began	-0.0195***
	(0.0021)
Received field visit within two months after registering	-0.0816
	(0.0570)
Received field visit within three to four months after registering	0.1134
	(0.0812)
Observations	4,388
Pseudo R-squared	0.0362

Notes: Analysis uses a probit regression. Non-urban = less than 3,000 people in the ZIP code. Variables on receiving help are coded relative to the date of registration. Marginal effects represent the average partial effect across all observations in the data. Robust standard errors are in parentheses. *** Indicates significance at the 1-percent level and ** at the 5-percent level.
Source: Authors' calculations from OregonSaves' data.

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Contact Information

Center for Retirement Research
Boston College
Hovey House
140 Commonwealth Avenue
Chestnut Hill, MA 02467-3808
Phone: (617) 552-1762
Fax: (617) 552-0191
E-mail: crr@bc.edu
Website: https://crr.bc.edu

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