CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

Study B:
Colorado Small Business Marketplace

Final Report

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Introduction

Very few workers save for retirement outside of employer-sponsored plans.[1] Yet, in Colorado, over 900,000 workers are with an employer that does not offer a plan. To address this coverage gap, the State of Colorado is considering the introduction of a Small Business Marketplace. The marketplace would provide employers with fewer than 100 employees access to low-cost retirement plans through an online portal. The notion is that by reducing the cost of offering a retirement plan, more employers will provide coverage. The key question is how many employers would voluntarily participate.

At present, only one state (Washington) has introduced a retirement marketplace, and the program has been in operation for just over a year. Preliminary outcomes from Washington indicate that firms currently enrolled account for less than 1 percent of eligible employees. Moreover, despite other voluntary programs implemented at the state and federal level to help address the coverage problem, the percentage of employers offering a retirement plan nationwide has not budged over the past 40 years. These results suggest that few employers are likely to participate in the absence of an employer mandate.

The discussion proceeds as follows. The first section provides a market analysis of the employers eligible to participate in a potential Colorado Small Business Marketplace and their employees. The second section discusses the potential response of employers based on outcomes from four case studies on voluntary retirement programs to date. The report concludes that while many Colorado workers need additional savings for retirement security, a marketplace approach is unlikely to gain a level of employer participation that is required to achieve that goal.

Market Analysis

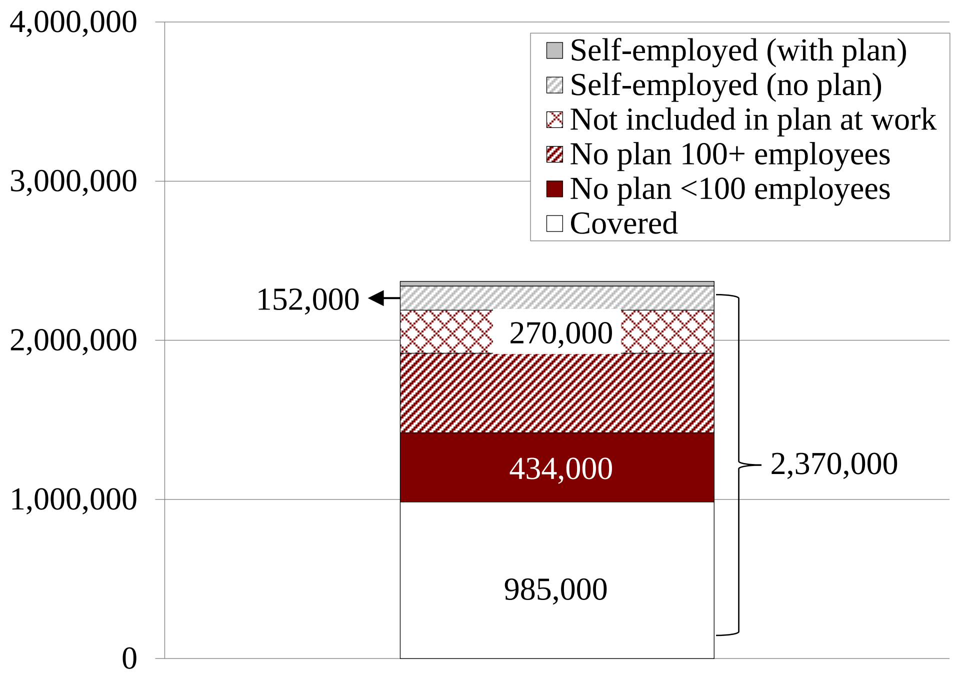
This market analysis provides an overview of employers eligible to participate in a potential Colorado Small Business Marketplace and their employees. The first section describes the number and characteristics of the target employee population. The second section evaluates the characteristics of the target employer market.

[1] Although IRAs are available to employees without coverage through their jobs, few workers use these vehicles to actively save. Instead, IRAs tend to be the eventual landing spot for money saved through employer-sponsored 401(k)s. See Chen and Munnell (2017).

Employees

A Colorado Small Business Marketplace would target small employers, defined as those with fewer than 100 employees. Estimates show that approximately 430,000 employees work at small firms that do not offer a retirement plan (see Figure 1). An additional 150,000 self-employed workers (including "1099" contract workers) could also choose to participate in the program because – unlike auto-IRA plans – a marketplace does not rely on any form of automatic payroll deduction. And 270,000 employees not included in their plan at work could theoretically also sign up individually. However, because a Small Business Marketplace focuses on employers, the program primarily targets the 434,000 non-self-employed workers. The following discusses how covered and uncovered workers differ across a number of dimensions and then examines the differences between uncovered workers in small and large firms.

Figure 1. *Number of Colorado Workers by Coverage Status, 2019*



Sources: CRR calculations from U.S. Census Bureau, *Current Employment Statistics* (2019); *Current Population Survey* (2014, 2018); and *Business Dynamics Statistics* (2016).

Demographic Characteristics of Covered and Uncovered Workers

Employees without a plan at work are different from covered workers in many ways. Table 1 shows how these two groups compare. The uncovered workers are disproportionately less educated, young, Hispanic, and foreign-born.

Table 1. *Key Demographics of Colorado Workers by Coverage Status, 2019*

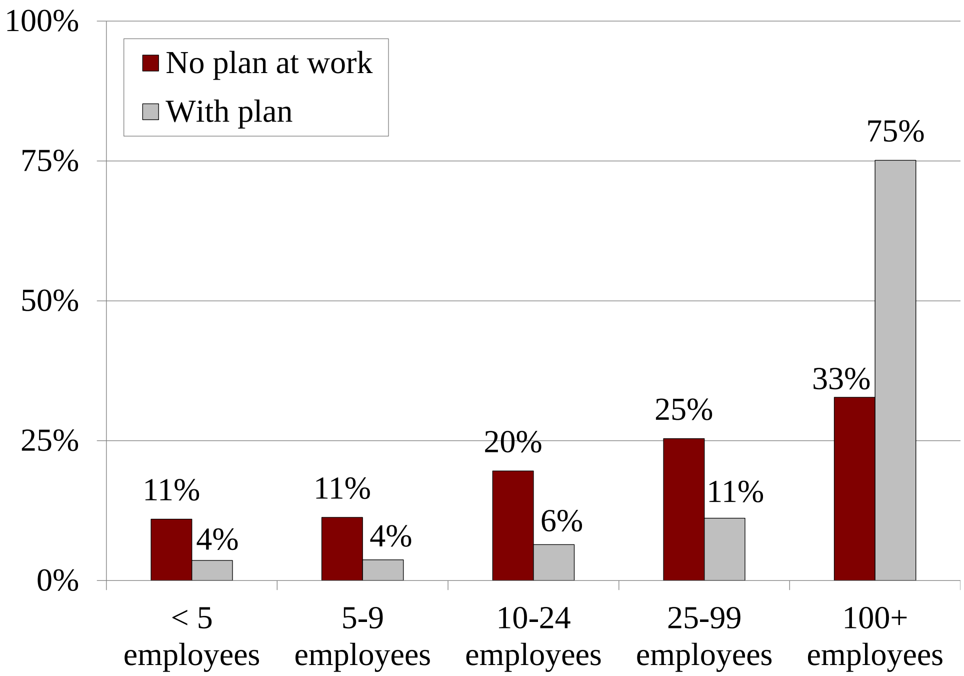
Characteristic	No plan at work		With plan	
	Number	Share	Number	Share
Gender				
Male	510,391	54%	538,549	55%
Female	429,007	46	446,147	45
Age				
Under 18	16,017	2	4,693	0.5
18-24	133,849	14	46,786	5
25-54	643,313	68	700,373	71
55-64	115,094	12	190,415	19
65+	31,127	3	42,429	4
Race				
White	611,331	65	739,712	75
Black	39,220	4	37,415	4
Asian	30,410	3	38,097	4
Hispanic	240,828	26	152,823	16
Other	17,610	2	16,649	2
Nativity				
Native	765,877	82	878,445	89
Foreign-born	173,522	18	106,251	11
Education				
Less than high school	111,764	12	14,245	1
High school only	191,922	20	156,694	16
Some college	263,097	28	268,525	27
Bachelor's or more	372,616	40	545,232	55
Total	939,398	100%	984,696	100%

Note: The 939,398 reflects all employees without a plan at work, regardless of firm size or age.
Sources: CRR calculations from *Current Employment Statistics* (2019); and *Current Population Survey* (2014, 2018).

Employer Size, Industry, and Wages of Covered and Uncovered Workers

Figure 2 shows the distribution of Colorado workers with and without a plan at work by employer size. Employees with a plan at work are largely concentrated in firms with 100 employees or more, meaning that those without a plan are predominantly employed by small firms.

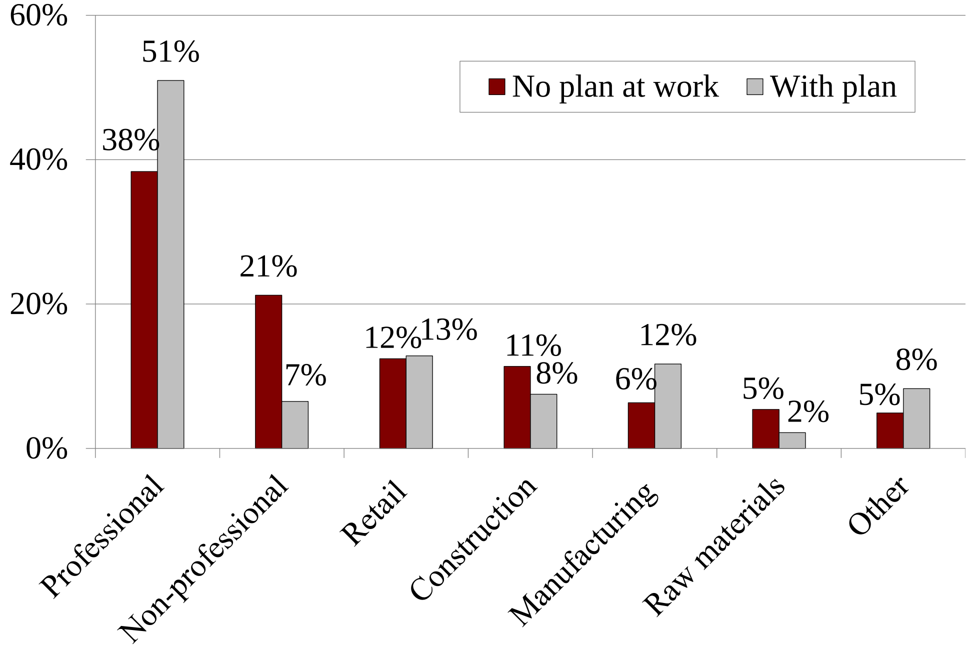
Figure 2. *Colorado Employees by Firm Size and Coverage Status, 2016*



Note: Category with fewer than five employees excludes proprietors, partnerships, and independent contractors.
Sources: CRR calculations from U.S. Census Bureau, *Statistics of U.S. Businesses* (2016); U.S. Census Bureau, *Business Dynamics Statistics* (2016); and U.S. Bureau of Labor Statistics, *National Compensation Survey* (2017).

In terms of industry, Colorado employees without a plan at work are more likely to be employed in non-professional services, construction, and raw materials industries (see Figure 3).

Figure 3. *Industry Distribution of Colorado Workers by Coverage Status, 2017*



Note: Sample includes Colorado workers across firm size.
Sources: CRR calculations from *Current Population Survey* (2014, 2018).

Another important aspect of the market is workers' full- or part-time status. Part-time workers tend to be less attached to the labor force than full-time workers. In general, workers without a plan in Colorado, like uncovered workers elsewhere in the country, work fewer hours and earn much less than covered workers. Approximately 82 percent of workers without a plan at work are employed full time, compared to 95 percent of workers with a plan (see Table 2). Similarly, the median earnings of full-time workers without a plan at work is $34,669 compared to $60,849 for workers with a plan.

Table 2. *Colorado Employee Earnings and Hours Worked by Coverage Status, 2014*

Hours	No plan at work		With plan	
	Share	Median earnings	Share	Median earnings
1-34	18%	$13,274	5%	$35,027
35+	82	$39,296	95	$62,165
Total	100%	$34,669	100%	$60,849

Note: Sample includes Colorado workers across firm size.
Source: CRR calculations from *Current Population Survey* (2014).

Job Mobility of Covered and Uncovered Workers

Table 3 presents results from an analysis that follows the same workers over time – both in Colorado and in the rest of the United States – to see if, approximately one year later, they are working at the same employer, a different employer, or not working.[2] The results illustrate two primary findings. First, uncovered workers have less stable employment than covered workers; they are more likely to have left their current job for another job after one year and are more likely to have exited the labor force. The share of full-time workers without a plan going to a new job has been 25 percent per year and the share of full-time workers leaving the labor force has been 13 percent per year. Second, part-time workers have less stable employment than full-time workers.

Table 3. *One-Year Job Mobility Rates for Colorado and U.S. Workers by Coverage and Hours Worked, 1997, 2005, and 2009*

	Full-time		Part-time	
	No plan at work	With plan	No plan at work	With plan
I. Colorado				
Same employer	61%	76%	55%	67%
New employer	25	16	20	15
Not working	13	5	25	19
Exit Colorado	1	3	0	0
II. Rest of U.S.				
Same employer	68	80	53	69
New employer	23	15	28	21
Not working	8	4	17	9
Exit state	1	1	2	1

Note: Sample includes Colorado workers across firm size.
Sources: U.S. Census Bureau, *Survey of Income and Program Participation (*1996, 2004, and 2008 Panels, representing data on mobility for 1997, 2005, and 2009).

Financial Capability of Covered and Uncovered Workers

Another relevant issue is that uncovered workers in Colorado, like uncovered workers nationally, are under greater financial stress than workers who are covered by an employer plan. Uncovered workers are also less familiar with commercial financial products and have less

[2] The *Current Population Survey* (used for much of the analysis above) is insufficient in this case, since only a fraction of the dataset can be followed from one year to the next, resulting in a small sample of Colorado workers.

understanding of basic concepts like compound interest and portfolio diversification. These issues show up in several ways (see Table 4). Of importance, only 38 percent of uncovered Colorado workers say they can come up with $2,000, and 34 percent appear to be using unconventional, high-interest credit sources such as pawn shops and payday lenders.

Financial capability data offer other lessons for Colorado. Relative to covered workers, uncovered workers are less likely to have a checking account or pay for things online. These data support the need for a user-friendly website to access and navigate accounts. In terms of traditional financial education, most uncovered workers struggle with understanding diversification, and over a third appear to have trouble answering a question about compound interest. These data highlight the importance of offering simple plans and investment options such as target date funds, in addition to simple and concrete educational materials.

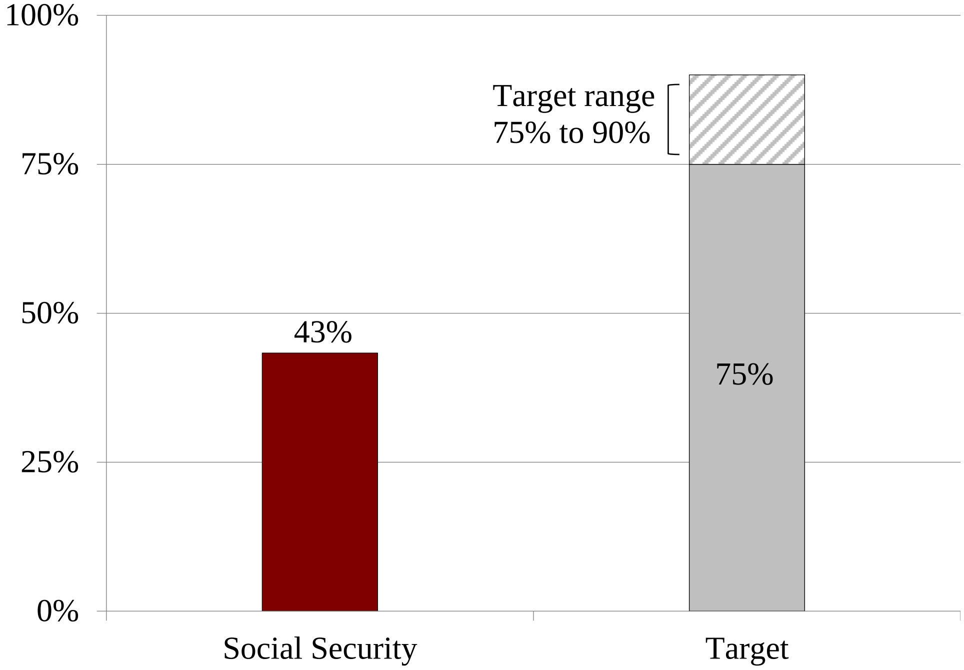
Table 4. *Financial Situation, Interaction, and Literacy by Retirement Plan Coverage in Colorado and the United States, 2015*

	Colorado		United States	
	Not covered	Covered	Not covered	Covered
Financial situation				
Spend more than makes	19%	21%	20%	18%
Can come up with $2,000	38	78	38	79
Receives government transfer	18	13	20	13
Receives money from family	21	22	27	18
Used unconventional credit sources	34	24	32	23
Interaction with the financial system				
Has checking account	90%	99%	81%	98%
Owns non-retirement investments	12	49	9	44
Gets paid in cash or by check	48	20	46	20
Uses credit cards to purchase things	51	86	48	82
Uses debit cards to purchase things	68	72	69	74
Pays for things online	56	88	55	81
Financial literacy				
Understands compounding	64%	79%	67%	83%
Understands diversification	26	57	32	56
Learned about finance at school	11	20	16	21
Learned about finance at work	3	12	4	12

Notes: A respondent is covered when they have a retirement plan through their employer or acquire one privately. Uses 2012 data for: gets paid in cash or by check, uses credit or debit cards to purchase things, and pays for things online. Sample includes Colorado workers across firm size.
Sources: CRR calculations from Financial Industry Regulatory Authority (FINRA) *National Financial Capability Study* (2012, 2015).

Despite their limited financial resources and lack of experience with financial institutions, uncovered workers need to save additional income for retirement. While their low earnings allow them to benefit from the progressive structure of the Social Security system, Social Security alone will not provide adequate levels of replacement income. As shown in Figure 4, when a low-earning worker retires at age 65 (and Social Security's Full Retirement Age reaches 67), Social Security will replace 43 percent of his pre-retirement earnings. Standard benchmarks indicate that low earners need 75 to 90 percent of previous earnings to maintain their standard of living. To help bridge this gap, additional savings vehicles are needed.

Figure 4. *Replacement Rate from Social Security and Target Replacement Rate*



Source: CRR calculations from *Current Population Survey* (2018).

Characteristics of Uncovered Workers by Firm Size

A Colorado Small Business Marketplace targets employees without a plan at firms with fewer than 100 employees. The ways in which these uncovered workers differ from covered workers are typically more pronounced than the differences between uncovered workers at large firms and covered workers. Compared to workers without a plan at large firms, Colorado workers without a plan at small firms are even more likely to be young, Hispanic, and less educated (see Table 5).

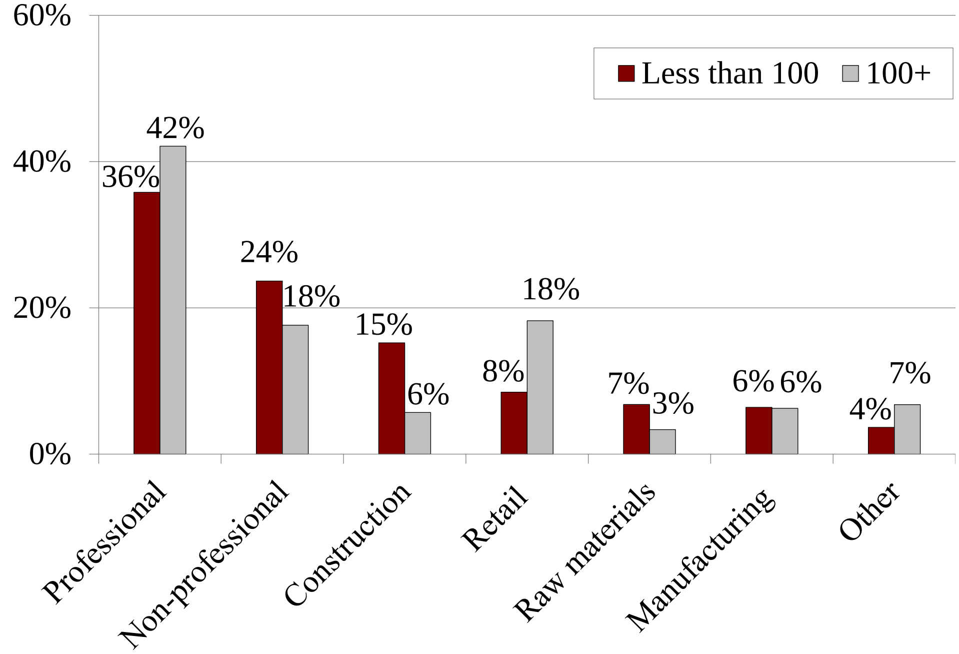
Table 5. *Key Demographics of Colorado Workers without a Plan at Work by Firm Size, 2019*

Characteristic	Less than 100	100+
Gender		
Male	55%	54%
Female	45	46
Age		
Under 18	3	0.4
18-24	15	13
25-54	67	71
55-64	13	12
65+	3	4
Race		
White	68	60
Black	0.4	10
Asian	4	2
Hispanic	27	24
Other	1	4
Nativity		
Native	83	80
Foreign-born	17	20
Education		
Less than high school	14	9
High school only	20	22
Some college	30	26
Bachelor's or more	37	44
Total	100%	100%

Sources: CRR calculations from *Current Employment Statistics* (2019); and *Current Population Survey* (2014, 2018).

Workers without a plan at small firms are even more likely to work in non-professional services, construction, and raw materials industries (see Figure 5).

Figure 5. *Industry Distribution of Colorado Workers without a Plan at Work by Firm Size, 2017*



Sources: CRR calculations from *Current Population Survey* (2014, 2018).

Uncovered workers at small firms also work fewer hours and earn less than uncovered workers at large firms (see Table 6). Approximately 21 percent of uncovered workers at small firms are employed part time, compared to 13 percent of uncovered workers at large firms. Similarly, the median earnings of uncovered workers at small firms is $29,993 compared to $40,994 for those at large firms.

Table 6. *Colorado Employee Earnings and Hours Worked for Employees without a Plan at Work by Firm Size, 2014*

Hours	Less than 100		100+	
	Share	Median earnings	Share	Median earnings
1-34	21%	$13,347	13%	$13,072
35+	79	$34,508	87	$45,261
Total	100%	$29,993	100%	$40,994

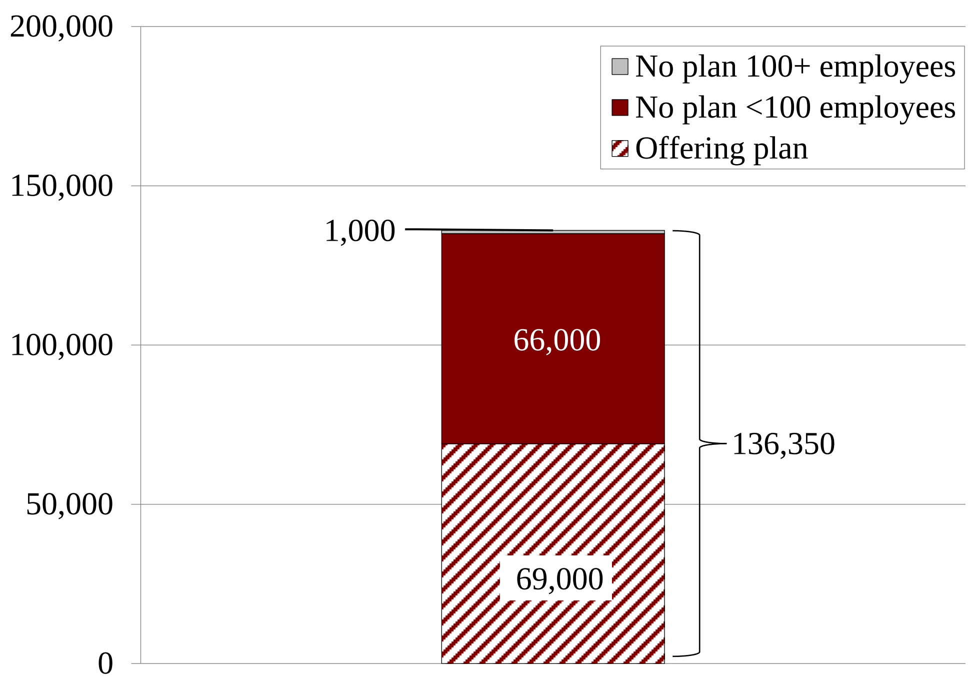
Source: CRR calculations from *Current Population Survey* (2014).

In sum, workers without a plan at work at firms with fewer than 100 employees – the target population of a potential Colorado Small Business Marketplace – differ from covered workers in significant and meaningful ways. These workers have lower income, are less educated, and are less connected to the labor force relative to covered workers generally, as well as uncovered workers at large firms. These findings reinforce the need for additional retirement savings vehicles to help this population improve income security in retirement.

Employers

A Colorado Small Business Marketplace would be open to any employer with fewer than 100 employees. The data suggest that approximately 66,000 employers have fewer than 100 employees and do not currently offer a retirement plan (see Figure 6).

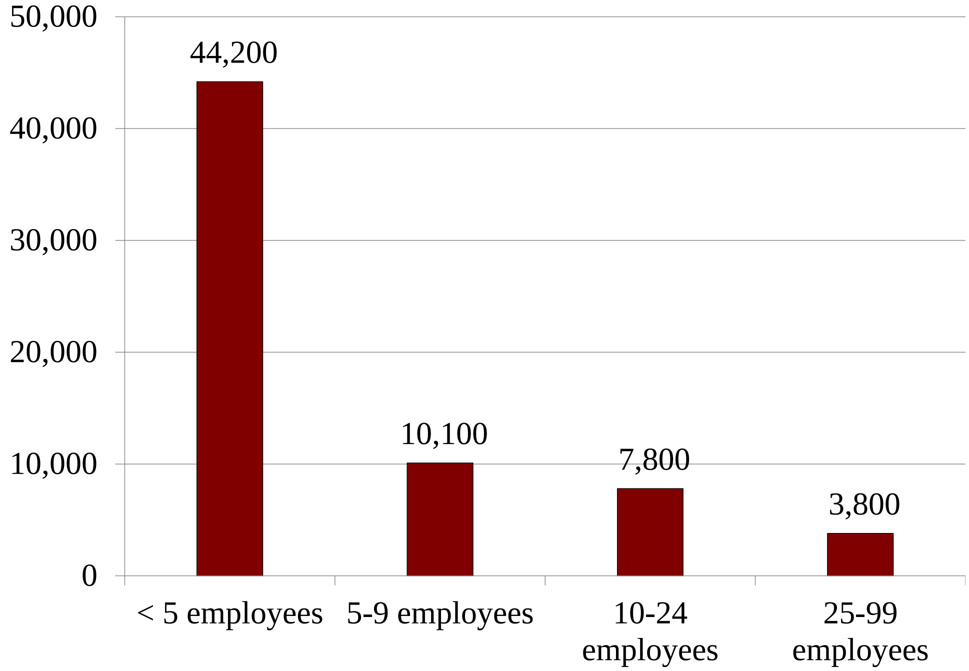
Figure 6. *Number of Private Sector Employers in Colorado by Coverage Status, 2016*



Sources: CRR calculations from *Statistics of U.S. Businesses* (2016); and *National Compensation Survey* (2017).

Most of the employers that would be targeted by the Small Business Marketplace are extremely small, with fewer than 5 employees (see Figure 7).

Figure 7. *Number of Employers in Colorado without a Retirement Savings Plan, by Number of Employees, 2016*



Note: Category with fewer than five employees excludes proprietors, partnerships, and independent contractors.
Sources: CRR calculations from *Statistics of U.S. Businesses* (2016); and *National Compensation Survey* (2017).

Employer Response

The success of a Colorado Small Business Marketplace hinges on employer participation. National surveys of employers indicate general interest in helping employees save for retirement.[3] However, employer interest has not translated into action. Evidence from prior initiatives to help employers offer retirement plans suggests that few employers are likely to participate voluntarily. Four initiatives are particularly relevant: 1) Federal programs for small employers (SARSEPs, SIMPLEs, and MEPs); 2) U.S. Treasury's My Retirement Account (MyRA); 3) Washington State's Retirement Marketplace; and 4) Massachusetts' Connecting Organizations to Retirement (CORE) plan.

[3] State of Connecticut Retirement Security Board (2016).

1) Federal Programs for Small Employers

Federal policymakers have tried for decades to expand retirement plan coverage among small employers. Major initiatives include Salary Reduction Simplified Employee Pensions (SARSEPs), Savings Incentive Match Plans for Employees of Small Employers (SIMPLEs), and Multiple-Employer Plans (MEPs). All three initiatives have been focused on minimizing the cost and administrative duties required by small employers.

SARSEPs are IRAs with low start-up and ongoing costs designed to help employers with fewer than 25 employees establish affordable retirement plans. In addition to low costs, employers had minimal responsibilities and relied on a trustee to handle investment decisions, annual reports, and other administrative tasks. The Small Business Job Protection Act passed in 1996 discontinued the SARSEP program and introduced the SIMPLE program.

The SIMPLE program provided an affordable retirement plan option for firms with up to 100 employees. The SIMPLE offers a number of advantages.[4] First, firms can either match employee contributions or contribute a fixed percentage of pay without a direct contribution from employees. Second, once established, the SIMPLE is administered by the employer's financial institution and requires minimal responsibility from employers themselves (e.g., employers do not need to file an annual financial report). And third, most employers were eligible for a tax credit within the first three years after starting a plan.

Multiple-Employer Plans (MEPs) allow employers with a "common bond" to form a pooled 401(k) retirement plan, offering benefits through the same administrative structure but with generally lower costs and less administrative duties than if each employer offered a separate plan.[5] A pooled account reduces the cost and fiduciary burden of sponsoring an individual 401(k) plan for a small employer. Specifically, a MEP can file one Form 5500, purchase one ERISA fidelity bond, and have a single audit for the entire plan. In a non-MEP arrangement, each employer would generally have its own Form 5500, bond, and audit. The administrative burden is particularly reduced for firms with fewer than 100 participants.[6] The fiduciary

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[4] Munnell, Belbase, and Sanzenbacher (2018).

[5] Some MEPs represent the traditional notion of small employers linked together by a common bond, such as the South Dakota Association of Community Based Services. But both the largest defined benefit and defined contribution MEPs are sponsored by General Electric, whose various divisions (e.g. health care, aviation) operate separately and are brought together for retirement plan purposes under a MEP (GAO 2012a).

[6] Morse (2014).

responsibility of participating employers is generally limited to selection and oversight of the person operating the plan.[7] See Box 1 for additional information on MEPs.

Box 1. *National Trends in Multiple-Employer Plan Regulations*

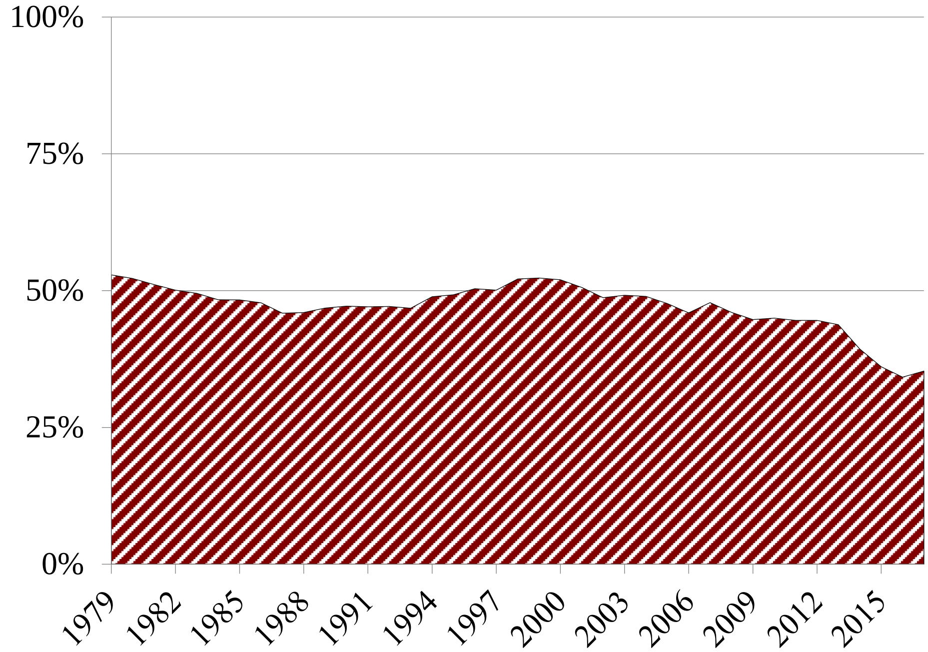
Current law discourages the formation of MEPs in two ways.[8] First, the Department of Labor requires that plans "are tied together" by "genuine economic or representational interests," known as the "common bond" rule. A common bond refers to shared attributes such as the same industry or membership in the same trade organization. This regulation restricts the number of employers available for partnership, which results in smaller groups of employers as well as smaller pools of assets. Second, once established, employers participating in a MEP are separately tested for compliance with coverage and nondiscrimination provisions. A violation of these rules by one employer can disqualify the entire plan. This regulation is known as the "one bad apple" rule.

To expand access to MEPs, the Setting Every Community Up for Retirement Enhancement (SECURE) Act – signed into law in December 2019 – eliminates the "one bad apple" provision and bypasses the "common bond" rule by creating open MEPs that will allow unaffiliated employers to form a plan administered by a single provider. Both changes will become effective January 2021 and will make MEPs more accessible to small employers. However, experts in the retirement policy community do not expect these changes to MEP regulations to significantly expand take-up.

Despite the key advantages of these federal initiatives, the trend data on coverage indicate that simplifying plan design has not led to a significant expansion of coverage (see Figure 8). As of 2016, fewer than 6 percent of U.S. households owned any type of employer-sponsored IRA, (SEPs or SIMPLEs); and, as of 2014, MEPs represented less than 1 percent of all retirement plans reported in the Form 5500.[9]

[7] Borzi (2011).
[8] U.S. Senate Committee on Finance (2015).
[9] Chen and Munnell (2017); and Munnell, Belbase, and Sanzenbacher (2018).

Figure 8. *Percentage of Private Sector Workers Ages 25-64 Participating in an Employer-Sponsored Retirement Plan, 1979-2017*



Note: The CPS underwent a significant re-design in 2014. Many researchers are skeptical about the accuracy of CPS participation numbers after the redesign, but the benefit of the CPS is that it goes back to 1979 and provides a broad historical trend. Regardless of survey and how the uncovered are defined, the group without an employer-provided plan is large.
Source: *Current Population Survey* (1980-2018).

2) U.S. Treasury's My Retirement Account (MyRA)

A second example of employers failing to take advantage of a low-cost retirement saving option comes from the U.S. Treasury's experience with the MyRA program, which began with an initial pilot in 2014 and launched nationwide in 2015.

MyRAs were Roth-IRAs positioned as starter accounts for those without coverage at their current employer.[10] Contributions were made with after-tax dollars that could be withdrawn tax free at any time. Earnings could be withdrawn tax free after age 59 ½. To protect new savers, accounts had no fees, and the Treasury constructed a security that preserved the principal and paid the same interest rate as the Government Securities Investment Fund. As of 2016, MyRAs were available to anyone with an annual income under $134,000 ($194,000 for couples).

[10] Munnell, Belbase, and Sanzenbacher (2018).

To avoid placing any burden on employers, their only task was to decide whether to offer the account and then to make payroll deductions for any employee who chose to participate. Employers were not required to administer the accounts or to contribute to them. To avoid burdening – or competing with – financial services firms, the Treasury administered the accounts (in collaboration with a private sector bank) when they were small and, if the program had matured, would then have turned them over to the private sector once balances exceeded $15,000 (or after 30 years, whichever came first).

Employees could contribute to the account through automatic direct deposit through their employer, one-time or recurring contributions from a checking account, or direct deposit of all or part of their tax refund. Despite the program's multiple access points, lack of fees, and preservation of principal, take-up was only about 30,000 accounts (nationally). Of the 30,000 accounts registered, 20,000 had a balance and 10,000 had no balance.[11] The Treasury Department discontinued the program in 2018.

3) Washington State's Retirement Marketplace

In 2015 the Washington State Legislature created the Small Business Retirement Marketplace (SB 5826) to help employers with fewer than 100 employees find a high-quality retirement plan with reasonable fees.

Washington's Marketplace is an online portal that connects employers to low-cost retirement plans. The retirement plans listed on the Marketplace are verified and approved by Washington State officials. Each plan listed cannot charge administrative fees to employers and cannot charge enrollees more than 100 basis points annually. The website links employers directly to the provider's site, and employees work directly with the provider to enroll in a plan. The program is administered by the State's Department of Commerce and participation is voluntary for both employers and employees.

Washington's Retirement Marketplace launched in March 2018 to employers with fewer than 100 employees. While surveys of small employers indicate support of a marketplace approach, actual employer take-up observed in Washington has been dismal.[12] Based on an

[11] Bernard (2017); and Miller (2017).

[12] While 43 percent of employers in a 2017 Pew survey consider a marketplace approach to be "very helpful," and 43 percent consider the approach "somewhat helpful," less than 1 percent of eligible employers have signed up through Washington's live marketplace.

October 2019 conference presentation, after more than a year in operation, less than 1 percent of employees at firms with fewer than 100 employees are currently enrolled.[13] At this time, two providers – Finhabits and Saturna – currently offer plans. The program has since opened up to employers of any size as well as individuals wishing to open an account on their own.

In addition to providing expectations on employer participation levels, Washington's experience highlights the costs of a marketplace approach. At the program's launch, the budget for Washington's Retirement Marketplace covered two full-time employees and a small amount for marketing and outreach. For marketing, Washington relied on partnerships with other State programs as well as social media and online campaigns. The program recently acknowledged it significantly underestimated the budget and time required to effectively market the program.[14] Now up and running, the Marketplace has one full-time employee and the remaining budget has been shifted to enhancing communication efforts.

4) Massachusetts' Connecting Organizations to Retirement (CORE) plan

In 2017, Massachusetts launched the CORE program – a State-run multiple-employer 401(k) plan designed for non-profits (registered 501(c) organizations) with 20 or fewer employees. The plan is voluntary for both employers and employees. To reduce the burden associated with offering a retirement plan for employers, most administrative and investment responsibilities are held by the Office of the State Treasurer and Receiver General. However, employers must pay a one-time installation fee equal to $2,500 as well as additional annual fees for compliance and plan administration.[15]

Once an employer signs up, its employees are automatically enrolled in a plan with a default contribution rate of 6 percent, auto-escalating to 12 percent.[16] Employees can reduce their contribution rate or opt out at any time, and employers can elect to make contributions. A $65 flat annual fee is charged to employee accounts for general administration; in addition, the employee pays investment management fees that vary by the investment fund chosen.

[13] Ascend Conference (2019).
[14] Washington State Department of Commerce (2019).
[15] Massachusetts Budget and Policy Center (2018).
[16] Employee contributions increase by 1 or 2 percent annually depending on the employer's election.

As of November 2019, after two years in operation, 63 employers and 460 employees are currently registered in the program.[17] These employees represent less than one-half of 1 percent of Massachusetts employees working in small non-profits. The result is not a problem with the design of CORE, but rather reflects the general disinterest of small employers to voluntarily adopt a retirement plan.

The outcome of these voluntary studies is not surprising given that – in addition to cost and administrative concerns – other challenges deter small businesses from offering plans.[18] Employers cite both employee-related and business-related concerns.

Employee-related concerns include having too few employees and a perceived lack of employee interest. A survey of 1,600 small- and medium-sized employers indicates that one-third of employers do not think their employees want a retirement savings program.[19] Additional surveys of small employers indicate that employees at small firms prefer increases in wages or other benefits such as health insurance in place of a retirement plan.[20] A significant proportion of small employers also report disinterest in starting a plan because a large portion of workers are seasonal, part time, or have high turnover.[21]

Business-related concerns include the length of time in business, uncertain profitability, and the expense of providing an employer match. Small employers – especially start-ups – rely heavily on the personal investment of owners as well as bank credit. Because operating revenue can be uncertain from one year to the next, providing retirement benefits is difficult from a budgeting perspective and a low priority relative to other business concerns.[22] A significant proportion of small employers report that an increase in profits would be required to increase their interest in starting a plan voluntarily.[23]

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[17] Personal communication with MA CORE staff (2019).
[18] AARP (2016; 2019); Pew (2017); Sharebuilder Advisors, LLC (2007); and EBRI (2003).
[19] Pew (2017).
[20] EBRI (2003).
[21] GAO (2012b).
[22] GAO (2012b); and Lichtenstein (2010).
[23] Pew (2017); and GAO (2017).

Conclusion

The State of Colorado is considering introducing a Small Business Marketplace to help improve employee retirement security. The Marketplace would provide employers with fewer than 100 employees access to low-cost retirement plans through an online portal. And the State would take on a number of administrative tasks to reduce the responsibilities required of the employer to offer a retirement plan. The key question, however, is how many employers would voluntarily participate.

While national surveys of small employers indicate general interest in helping employees save for retirement, this interest has not translated into action. Results from federal initiatives, Washington State's Retirement Marketplace, and other voluntary retirement programs suggest that few employers are likely to participate in the absence of an employer mandate. Preliminary outcomes from Washington's Marketplace and Massachusetts' CORE plan indicate that less than 1 percent of employees at eligible employers are currently enrolled. Results from national programs validate these findings, and suggest that employers have little interest in voluntarily starting a plan, even when minimal responsibility is required.

While Colorado employees without a plan at work cannot rely on Social Security alone, the evidence to date suggests that employer participation in a marketplace will not be substantial enough to move the needle.

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