



## **Washington Voluntary Accounts Creating Universal Access to Retirement Security**

### **The Pension Problem:**

- Half of all workers have no employer-sponsored retirement plan.
- Complexity and cost prevent many workers and small companies from starting plans.
- We're living longer, yet retirement wealth fell for the majority of workers during the 1990s – even before the drop in the stock market.
- Social Security provides a necessary stable base of income, but workers also need pensions and savings for true security and comfort in old age.

**Washington Voluntary Accounts:** The Department of Retirement System received \$450,000, over two years, to design a program for Washington State. All workers and small business owners will have the opportunity to save for retirement. Features include:

- Defined contribution plan with pre-selected menu of investment options
- Administration by Washington Department of Retirement Systems, including private sector contracts; oversight by the State Investment Board
- Payroll deductions and optional employer contributions
- Portability between jobs
- A 2-tier system might feature:
  - Tier 1 - IRA's open to any *worker* who chooses
    - simple for workers and their employers
  - Tier 2 - 401(k) or SIMPLE IRA open to any *employers* who choose and their employees
    - more requirements on employers
    - much higher contribution limits

### **Advantages of Washington Voluntary Accounts:**

- Provides small businesses with an easy, low cost way to provide retirement benefits and retain employees
- Provides workers a viable way to save for retirement
- Provides economies of scale and high quality investment options to small businesses and individual workers
- Allows lower income workers to build assets
- Broadens the pool of investors, benefiting private investment firms, too