

# 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.

