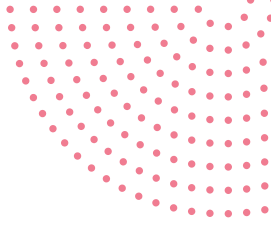




# Smart strongly supports auto IRA/ Plan legislation to enhance retirement security



## Data from the United Kingdom shows that auto plan rules dramatically increase retirement plan coverage and are widely considered “routine” or “easy” to comply with by even the smallest employers

Smart applauds the introduction today of a proposal that would require virtually all employers to maintain a retirement plan. Smart believes that voluntary incentives can be very helpful in broadening retirement plan coverage and improving retirement security. However, the UK experience shows that requiring employers to maintain a plan is even more effective, and can lead to a quantum leap in retirement coverage.

Furthermore, based on hard data from the UK experience, this can be done in a way that is very easy for small employers to comply with.

For example, 94% of businesses with 10 or fewer employees report spending an hour or less administering the plan each month. We look forward to continuing to work in support of this ground-breaking piece of legislation.



94% of businesses with 10 or fewer employees report spending an hour or less administering the plan each month

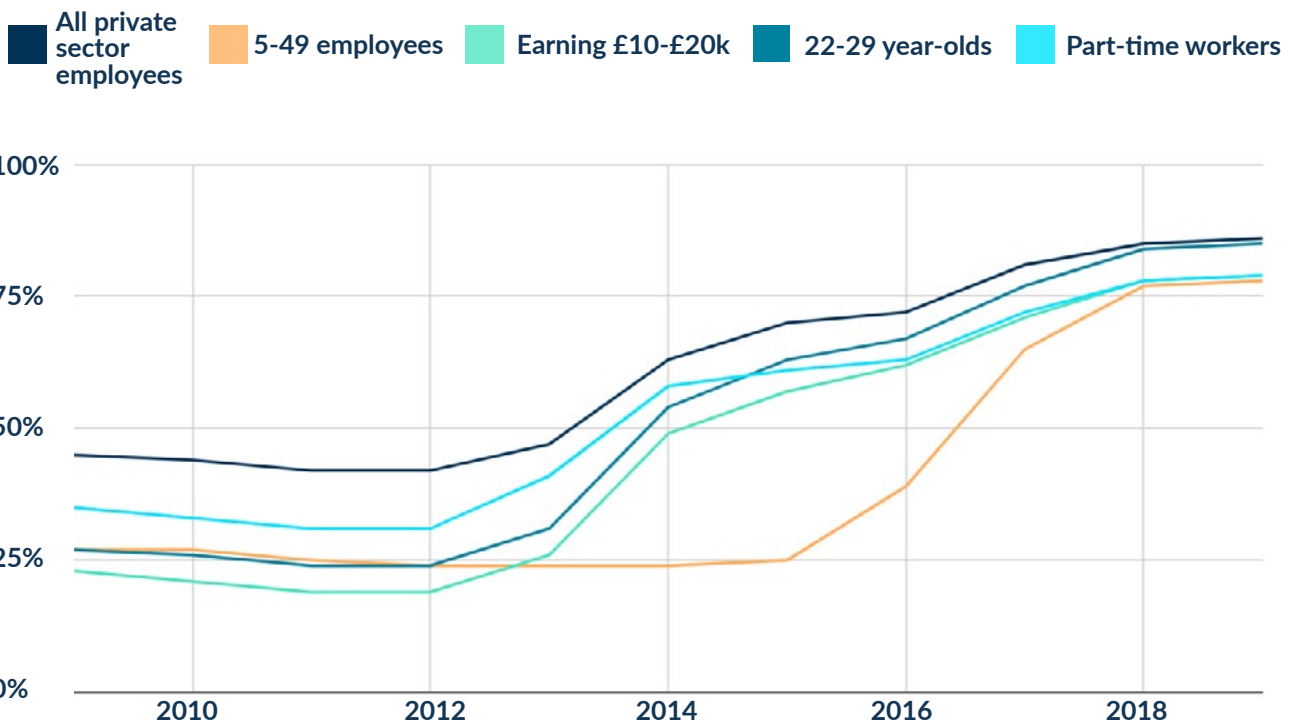


# Private sector retirement plan participation in the UK rose from 42% to 86% following legislation requiring employers to offer a retirement plan

Starting in 2012 with the largest employers, the UK rolled out legislation requiring all employers to automatically enroll employees into a retirement plan. By 2018, even the smallest employers were required to offer employees a retirement plan (with an employee option to opt out).

Following the legislation, actual participation among private sector workers rose from 42% in 2012 to 86% in 2019. The increase in participation was very consistent across all participant groups, including those that are typically least likely to participate in a plan, such as the young, part-time workers, low earners and those working for micro-employers.

## Retirement plan participation among private sector employees rose sharply following the UK legislation

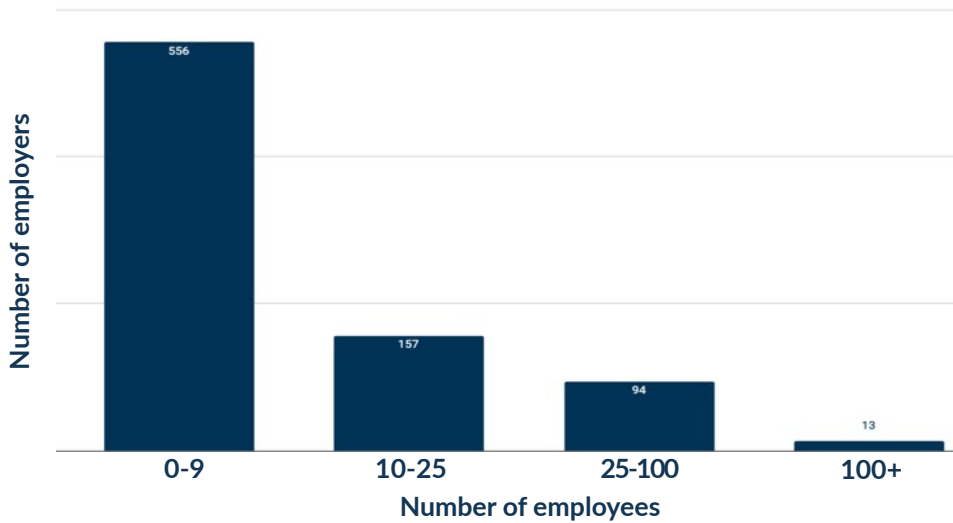


Source: Department of Work and Pensions, Workplace pension participation and savings trends 2009-2019

# Smart survey of over 800 small UK businesses shows that administration of retirement plans is considered “routine” or “easy” by the vast majority of small employers

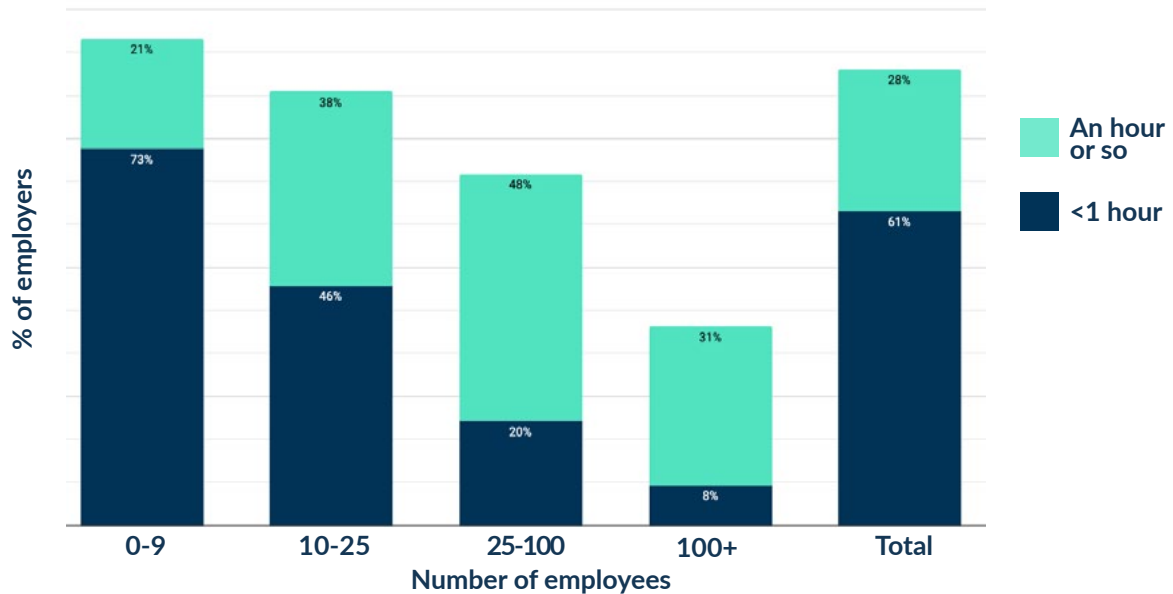
Smart conducted a survey of over 800 small UK businesses that use the Smart Pension Master Trust platform to offer a retirement plan.

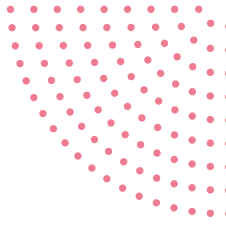
## Survey responses from over 800 small employers using the Smart Pension Master Trust



94% of businesses with 10 or fewer employees report spending an hour or less administering the plan each month. Most of those report that it is less than an hour. Interestingly, it is only among businesses with more than 100 employees that a majority report spending more than an hour each month on plan administration. This is, of course, due to their larger and more complex workforces.

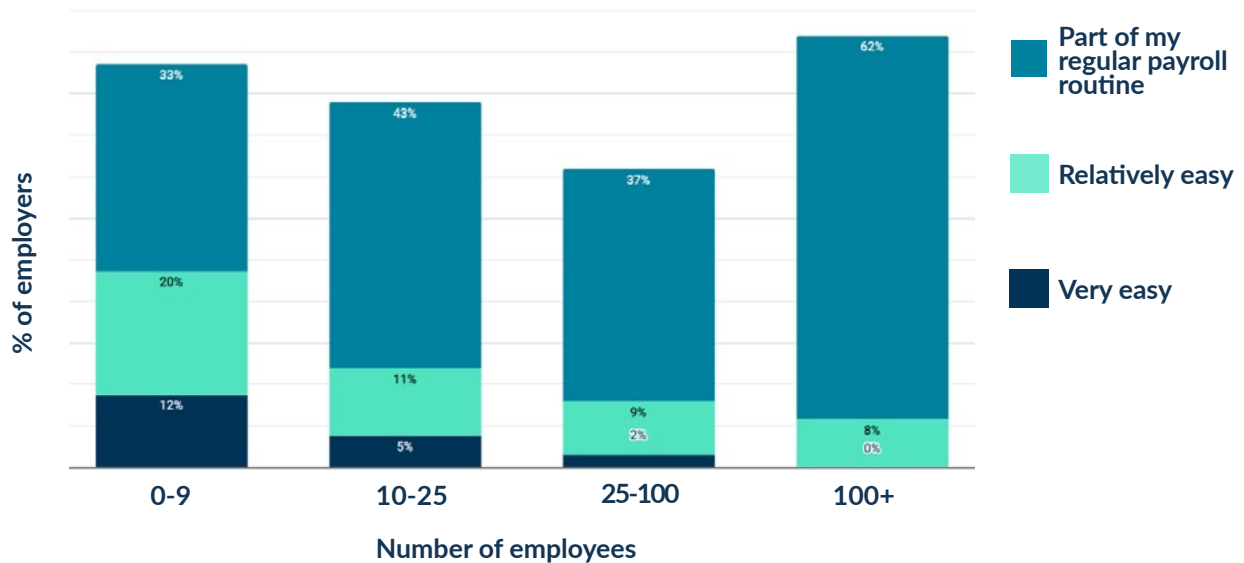
## Time spent administering the plan each month



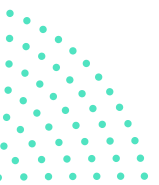


A clear majority of surveyed employers reported that plan administration is “relatively easy,” “very easy,” or “part of my regular payroll routine.” The smaller the employer, the more likely they were to describe administering the plan as “relatively” or “very” easy. Again, this is due to their smaller workforces.

### For majority of employers, running a plan is easy or routine



Only about 8% of all surveyed employers reported that the plan administration was a “significant additional burden.” Across the board, the smaller the employer, the easier and less burdensome they found it to offer a plan.





# Proposed US rule is less burdensome than the UK legislation

While the proposed US legislation is similar in many aspects to the UK legislation, it contains several features that make it even easier and less expensive for employers to comply with.

## **The smallest US employers are exempt from the requirement to maintain a retirement plan**

- Ways and Means proposal: Employers with five or fewer employees, employers that have not been in existence for two years, churches, and governments are exempt from the requirement to maintain a plan.
- UK: Even one-person businesses are subject to the requirement.

## **US plan does not require employer contributions**

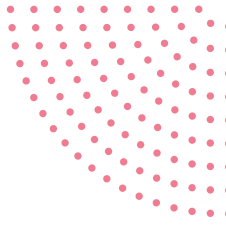
- Ways and Means proposal: No employer contributions required.
- UK: Providing that employees do not opt out, even the smallest employers must make a contribution equivalent to at least 3% of eligible pay.

## **US plans offers tax credits to cover the administrative costs of setting up the plan for the smallest employers**

- Ways and Means proposal: Tax credits cover the entire cost of the plan for five years for the smallest employers (25 or fewer employees). Other small businesses have choices of different generous credits to cover at least 50% of their costs.
- UK: Employers are responsible for the costs of setting up and running the plan. Some providers offer very low cost or even free options designed specifically for small employers.

## **Plans in effect when the rule is adopted will not have to be modified**

- Ways and Means proposal: Existing plans will not have to be modified
- UK: All plans have to be compliant with the requirements of the auto enrolment legislation. If an existing plan does not meet the criteria, it has to be modified in order to comply.



## Auto IRA/plan legislation is likely to significantly increase coverage while imposing a minimal burden on employers

Based on the UK experience, we are confident that the proposed auto IRA/plan legislation would dramatically improve coverage and retirement security in the US. We are also confident that it would be very easy for even the smallest employers to comply with.

The majority of small employers surveyed in the UK report that providing a plan is “routine” or “easy”, and takes up less than an hour a month. In view of the fact that the proposed US legislation offers more generous tax incentives, and does not require employers to make a contribution, it should be even easier for employers to comply with.

We salute legislators for proposing this ground-breaking legislation and look forward to working together to support its implementation.



### Catherine Reilly, Director of Retirement Solutions, Smart USA

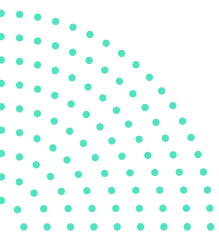
Catherine Reilly has over 20 years’ experience working in the asset management and retirement industry in Europe and North America, in roles that cover economic and investment research, product design and business strategy. She is currently Director of Retirement Solutions at Smart, a leading retirement technology business and one of the world’s largest recordkeepers, where she focuses on public policy, thought leadership and strategy.

Most recently, Catherine was Global Head of Research for the Defined Contribution team at State Street, where she oversaw the \$70bn SSGA target date suite. Prior to this, she was Chief Economist of Pohjola Asset Management (\$40 Bn Aum) in Finland and Management Consultant at McKinsey & Co., Inc in the Helsinki office.

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