



City of Seattle

To: Mayor Jenny Durkan
Finance & Neighborhoods Committee
Chair: Councilmember Sally Bagshaw
Vice Chair: Councilmember Lorena González
Member: Councilmember Bruce Harrell
Alternate: Councilmember Mike O'Brien

From: Seattle Retirement Savings Plan Board of Administration

Subject: Seattle Retirement Savings Plan Initial Report

Date: December 27, 2018

This initial report of the Seattle Retirement Savings Plan (“SRSP”) provides findings and recommendations of the SRSP Board of Administration (“Board”), as required by Section 2 of SMC 14.36.120. The Board has conducted a market analysis and obtained legal advice to assess feasibility of the SRSP. The Board has also been in communication with members of the Washington State Legislature who intend to introduce legislation in the 2019 session that would establish a statewide program with a similar structure as that envisioned for the SRSP. There are substantial advantages of a statewide program over a citywide program, including that a statewide program would cover a far larger population of workers, be more economical and conform more readily to existing state law. The Board strongly supports a statewide program as it would achieve substantially the same benefits to Seattle workers as that sought by the SRSP. The Board therefore recommends deferring any action on the SRSP, including a final determination of its feasibility, until the State Legislature has determined if and how it will proceed. The Board further recommends that the City actively support a statewide program to address the serious issue of retirement security.

Background

In November 2017, the City Council passed legislation (Ord 125467) laying out the path to establish the SRSP that would provide Seattle workers with an efficient and cost-effective way to save for retirement for those whose employers do not offer a workplace retirement savings plan. The Board was created to evaluate the feasibility of the SRSP and implement the program, if it were to proceed.

The SRSP would be comparable to a defined contribution structure – like a 401(k) or 403(b) – where employees contribute to their own separate account and are responsible for selecting investments from professionally-managed product options available in the SRSP. Eligible workers would be automatically enrolled with the ability to opt-out. They would grow their retirement savings through contributions and investment performance. Accounts would be portable and remain with the worker if they change employers. Employers would perform a limited administrative function by processing payments of eligible employees to the third-party private administrator through their existing payroll system.

The SRSP was designed based on the overwhelming evidence that individuals are far more likely to save for retirement if an option is made available to them in their workplace, especially if they are automatically enrolled into a plan. Unfortunately, Pew Charitable Trusts found in 2016 that 40% of employees in the Seattle metro area do not have access to a workplace retirement savings plan.

Report Items

The following items are referenced in Section 2 of SMC 14.36.120 as requirements of this initial report. The remaining items of that section are left unaddressed since the Board does not recommend proceeding with the SRSP at this time.

- **Market Analysis** (Section 2.A): The market analysis found that 170,000 Seattle workers would be automatically enrolled in the SRSP and an additional 100,000 could have the ability to voluntarily enroll. These workers are disproportionately female, Hispanic, young and less educated than those workers who already have access to a workplace retirement savings plan. The feasibility analysis found material cost savings if the City were to partner with an existing plan of another jurisdiction, such as the OregonSaves program. If partnering with an existing plan, the City would be expected to cover its operating costs in six years and become cost neutral in ten years.
- **Legal Findings** (Section 2.B): The legal analysis found that the SRSP was fully permissible under federal law and that there were aspects of state law that required further investigation.
- **Contracts** (Section 2.I): The Board contracted with the Center for Retirement Research at Boston College for the market analysis and K&L Gates LLP for the legal analysis.
- **Recommendation** (Section 2.D): The Board recommends deferring any action on the SRSP, including a final determination of its feasibility, until the State Legislature has determined if and how it will proceed.

Board Members

Councilmember Sally Bagshaw, Chair

Tim Burgess, Vice Chair

Andrew Beane

Jeff Davis

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