

# NORTH CAROLINA GENERAL ASSEMBLY



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## JOINT LEGISLATIVE STUDY COMMITTEE ON SMALL BUSINESS RETIREMENT OPTIONS (2019)

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### REPORT TO THE 2020 SESSION of the 2019 GENERAL ASSEMBLY OF NORTH CAROLINA

MARCH 9, 2020

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## TRANSMITTAL LETTER

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March 31, 2020

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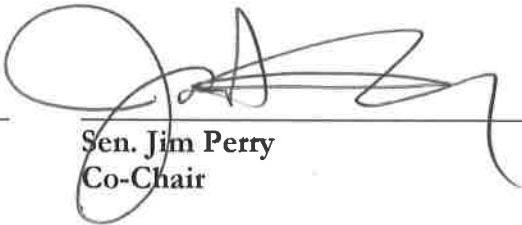
TO THE MEMBERS OF THE 2020 REGULAR SESSION  
OF THE 2019 GENERAL ASSEMBLY

The **JOINT LEGISLATIVE STUDY COMMITTEE ON SMALL BUSINESS RETIREMENT OPTIONS (2019)**, respectfully submits the following report to the 2020 Regular Session of the 2019 General Assembly.



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Rep. Bobby Hanig  
Co-Chair



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Sen. Jim Perry  
Co-Chair

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# COMMITTEE PROCEEDINGS

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The Joint Legislative Study Committee on Small Business Retirement Options met twice after the 2019 Regular Session. The following is a brief summary of the committee's proceedings. Detailed minutes and information from each committee meeting are available in the Legislative Library.

## **February 12, 2020**

The committee met on February 12, 2020 at 2:00 p.m. in Room 1027/1128 of the Legislative Building. Rep. Bobby Hanig presided and opened the meeting with a welcome and comments.

Amy Jo Johnson, Staff Attorney, Legislative Drafting Division of the General Assembly reviewed the enacting legislation for this committee in Session Law 2019-205 which became effective on August 27, 2019.

Next, Angela Antonelli, Research Professor and Executive Director of the Center for Retirement Initiatives (CRI) at Georgetown University's McCourt School of Public Policy presented on addressing the retirement security crisis and ways North Carolina could prepare for the crisis. In her presentation, Professor Antonelli discussed statistics showing the population is living longer than previously projected. For example, today's 65-year olds will live past age 90 and today's 10-year olds are expected to live until age 104. Professor Antonelli discussed the four models used by 10 states and 1 city to address this issue. The four models include: 1) Auto-IRA (Secure Choice); 2) Voluntary Payroll Deduction IRA; 3) Marketplace (IRAs & 401(k)s); 4) 401(k) Multiple Employer Plans (MEPs). Professor Antonelli closed her presentation with nine ways state programs can transform the retirement landscape.

There was also a presentation on North Carolina's financial security gap in retirement led by Sarah Gill, Economic Consultant, AARP. Ms. Gill discussed national and state statistics related to how many households have assets saved for retirement and how many private sector workers have access to a retirement plan at work. According to the information presented, 53% of North Carolina's private sector workers, roughly 1,716,000 people, do not have a way to save for retirement out of their regular paycheck. North Carolina's financial security scorecard ranking is below average when compared to other states on potential economic pressures facing future retirees.

The meeting closed with a committee discussion on next steps. The committee discussed having a short window of time before the committee report is due and recommending the committee be extended to allow more time to study this issue. Several committee members also requested specific information related to the following:

- More information on investment options and the cost to participants with comparison to average market or markets in participating states.
- States that require mandatory participation and how the mandate is made.

- Cost of savings to the state.
- State agencies working to auto-deduct and barriers to auto-deduction.
- Overview of the available models.
- Data related to return on investment to employers.

Before adjourning, the committee agreed to research some of the issues presented during the discussion and reconvene again prior to the start of the 2020 session.

### March 9, 2020

The committee met on March 9, 2020 at 1:00 p.m. in Room 415 of the Legislative Office Building. Rep. Bobby Hanig presided and opened the meeting with a welcome and comments.

John Scott, Director, Retirement Savings, The Pew Charitable Trusts presented information in response to the committee's questions and discussion during the previous meeting. Mr. Scott described the three types of retirement savings programs—auto-IRA programs, multiple employer plans, and online marketplaces and their use in the states that have enacted these types of programs. Other follow-up issues discussed included:

- How independent workers or self-employed persons are signed up for state-facilitated retirement savings programs.
- Difficulties seen in the Washington state marketplace and the Massachusetts multiple employer plan.
- Investment fees charged to participants in state-facilitated auto-IRA programs.
- Possible effects of state-facilitated auto-IRA plans on participating employers.
- Pros and cons of processing payroll contributions for a retirement savings program through the Department of Revenue.
- Overview of Roth IRAs versus traditional IRAs and their pros and cons.
- Lag times for datasets
- Possible returns on investment for employers participating in state-facilitated retirement savings programs.

The committee noted the way small business retirement plans are maintained and rolled out varies from state to state. Committee members also requested more information on the time needed to completely roll out one of these programs, as well as action steps an employer would take if they were required to offer a small business retirement plan.

Next, Tawanda Artis, Staff Attorney, Legislative Analysis Division of the General Assembly reviewed the draft of the report of this committee's findings and recommendations, including recommended legislation to extend this study committee until November 1, 2020. During the discussion of the report it was determined the committee members preferred to extend the committee until December 1, 2020. This report will be submitted to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the Fiscal Research Division no later than March 31, 2020.



Before adjourning, the committee voted to approve the committee report and allow staff to make technical corrections before submitting.

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## FINDINGS AND RECOMMENDATIONS

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1. The General Assembly should extend the Joint Legislative Study Committee on Small Business Retirement Options through December 1, 2020 as set forth in bill draft 2019-MRz-131\*[v.6] enclosed at page 15 in Appendix C of this report.

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## COMMITTEE MEMBERSHIP

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2017-2018

**President Pro Tempore of the Senate**  
**Appointments:**

Sen. Sam Searcy  
Mr. Robert Cooley (Public Member)  
Mr. Brian Lewis (Public Member)

**Speaker of the House of Representatives**  
**Appointments:**

Rep. Becky Carney  
Mrs. Lisa D. Riegel (Public Member)  
Hon. Paul N. Tine (Public Member)

**Ex-Officio Appointments:**

Mr. Sam Watts  
Mr. Ronald Penny

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## COMMITTEE CHARGE/STATUTORY AUTHORITY

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**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019**

**SESSION LAW 2019-205  
HOUSE BILL 604**

**AN ACT TO CREATE THE JOINT LEGISLATIVE STUDY COMMITTEE ON SMALL  
BUSINESS RETIREMENT OPTIONS.**

The General Assembly of North Carolina enacts:

**SECTION 1.** There is created the Joint Legislative Study Committee on Small Business Retirement Options (the Committee). The Committee shall consist of 10 members appointed as follows:

- (1) One Representative appointed by the Speaker of the House of Representatives who shall serve as a cochair to the Committee.
- (2) One Senator appointed by the President Pro Tempore of the Senate who shall serve as a cochair to the Committee.
- (3) One Representative appointed by the Minority Leader of the House of Representatives.
- (4) One Senator appointed by the Minority Leader of the Senate.
- (5) The Treasurer or the Treasurer's designee.
- (6) The Secretary of Revenue or the Secretary's designee.
- (7) Two members of the public appointed by the Speaker of the House of Representatives, one of whom is an individual representing an organization for older adults and one of whom is a retiree with professional knowledge of and experience working in the private retirement services industry.
- (8) Two members of the public appointed by the President Pro Tempore of the Senate, one of whom is a business owner and one of whom is a labor advocate.

**SECTION 2.** The Committee shall study all of the following:

- (1) Ways the State can reduce the regulatory and operational burden on small businesses that want to offer payroll deduction retirement savings options to employees.
- (2) Mechanisms the State could use to assist citizens to be more prepared to retire in a financially secure manner, including the operation of a

State-administered Individual Retirement Account or multiple employer plan.

- (3) The feasibility and benefits of partnering with other similar programs established in other jurisdictions.
- (4) Optimal oversight for any proposed retirement program.

**SECTION 3.** The Committee shall meet upon the joint call of the cochairs. A majority shall constitute a quorum of the Committee, and no official action may be taken except by a majority vote at a meeting at which a quorum is present. While in the discharge of its official duties, the Committee shall have the powers under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4.

**SECTION 4.** Members of the Committee shall receive subsistence and travel expenses as provided in G.S. 120-3.1, 138-5, or 138-6, as appropriate. The Committee may contract for consultants or hire employees in G.S. 120-32.02. The Legislative Services Commission, through the Legislative Services Officer, shall assign professional staff to assist the Committee in its work. Upon the direction of the Legislative Services Commission, the Supervisors of Clerks of the Senate and of the House of Representatives shall assign clerical staff to the Committee.

**SECTION 5.** The Committee shall report its findings and recommendations, including any recommended legislation, to the Speaker of the House of Representatives, the President Pro Tempore of the Senate, and the Fiscal Research Division no later than March 31, 2020. The Committee shall terminate upon submission of the report or March 31, 2020, whichever occurs first.

**SECTION 6.** This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 20<sup>th</sup> day of August, 2019.

s/ Philip E. Berger  
President Pro Tempore of the Senate

s/ Tim Moore  
Speaker of the House of Representatives

s/ Roy Cooper  
Governor

Approved 4:20 p.m. this 27<sup>th</sup> day of August, 2019

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## **LEGISLATIVE PROPOSALS**

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GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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BILL DRAFT 2019-MRz-131\* [v.6]

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)  
03/09/2020 02:13:08 PM

Short Title: Extend Com./Small Business Retirement Options.

(Public)

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Sponsors:

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Referred to:

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1 A BILL TO BE ENTITLED  
2 AN ACT TO EXTEND THE JOINT LEGISLATIVE STUDY COMMITTEE ON SMALL  
3 BUSINESS RETIREMENT OPTIONS THROUGH DECEMBER 1, 2020, AS  
4 RECOMMENDED BY THE JOINT LEGISLATIVE STUDY COMMITTEE ON SMALL  
5 BUSINESS RETIREMENT OPTIONS.  
6 The General Assembly of North Carolina enacts:  
7 **SECTION 1.** Section 5 of S.L. 2019-205 reads as rewritten:  
8 "SECTION 5. The Committee shall report its interim findings and recommendations,  
9 including any recommended legislation, to the Speaker of the House of Representatives, the  
10 President Pro Tempore of the Senate, and the Fiscal Research Division no later than March 31,  
11 2020. The Committee shall report its final findings and recommendations, including any  
12 recommended legislation, to the Speaker of the House of Representatives, the President Pro  
13 Tempore of the Senate, and the Fiscal Research Division no later than December 1, 2020. The  
14 Committee shall terminate upon submission of the final report or ~~March 31, 2020,~~ December 1,  
15 2020, whichever occurs first."  
16 **SECTION 2.** This act is effective retroactively to March 31, 2020.