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Government's Role in Helping Americans Save for Retirement.

As states begin stepping in to fill a void left by private employers, there are management challenges to keep in mind.

Most governments provide their employees with some form of retirement savings, but that's a benefit that has been fading away for decades in the private-sector workplace. Today, only 58 percent of full-time private-sector American workers have access to a workplace retirement plan and 49 percent participate in one, according to a recent report from The Pew Charitable Trusts.

This leaves more than 30 million full-time, full-year workers between the ages of 18 and 64 without access to an employer-based retirement plan. With so many private-sector workers worrying that even with Social Security they won't have enough money for retirement, it's not surprising that many states and the federal government are looking at ways to step into the void left by employers. The aim is not only to increase retirement savings but also to reduce poverty and the need for social assistance –spending that strains state budgets.

It's a complex challenge. Access to employer-based retirement plans varies widely. In Wisconsin, for example, 70 percent of full-time workers are able to take advantage of an employer-based plan, compared with just 46 percent in Florida. Gaps in the availability of retirement plans are even wider among the nation's metropolitan areas, according to research by Pew. In Grand Rapids, Mich., for instance, 71 percent of workers had access to a plan, compared with 23 percent in McAllen, Texas.

Access and participation also vary based on employer size, industry type, income, age and education — with some of the largest differences by race and ethnicity. Hispanic workers are almost 25 percent less likely to work for an employer that offers retirement benefits than are white non-Hispanic workers. Black and Asian-American workers also report lower rates of access than white workers.

While Congress and the Obama administration have proposed new ways to increase retirement savings, no major federal legislation has passed on this issue since 2006. As a result, state policymakers and agency heads have been looking at opportunities to fill the gap using tools that range from offering no-cost individual retirement savings accounts to providing tax breaks for contributions or for setting up a plan. The goal is to give employees an incentive — and the ability — to contribute on a regular basis directly from their paychecks.

Lawmakers in more than half of the states have introduced legislation to create or study state-sponsored retirement savings plans for employees who lack access at work. Illinois, Massachusetts, New Jersey, Oregon and Washington state already have moved forward with programs using a variety of approaches. But as state policymakers explore new programs to encourage workers to secure their own financial futures, they need to consider whether they have the administrative and financial capacity to manage a large retirement savings program.

Many states already run retirement plans for public employees, health-insurance exchanges and college savings plans. But creating viable state-run retirement programs for private-sector workers can present unique challenges — in particular, the ability to efficiently manage a large number of small account balances from numerous employers using a wide variety of payroll systems. Additionally, states must consider their responsibility to ensure the integrity of funds and investments, meet reporting and disclosure responsibilities, and provide transparency and accountability.

Although state agencies have considerable financial and policy expertise about public pensions, there is much they can learn from the business community about private-sector retirement plans. A wide array of payroll providers, record keepers, investment professionals, financial educators, software developers and other service providers make up a retirement savings industry with over $5 trillion in assets. States should reach out to these experts to better understand how to successfully manage the administration, outreach and cost-control challenges of a large retirement savings system.

States also can learn from the experiences of one another as they consider the best paths forward, and they would be well served to make policy choices that balance the competing objectives of employee retirement security, employer cost and administrative burdens, and risks for the state. They also need to take into consideration the specific economic and demographic characteristics of the workers who could participate. If states weigh these factors carefully, it may be possible to make a meaningful improvement in the retirement security of many working Americans while minimizing costs and risks to taxpayers.

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