

February 20, 2025

TO: Members of the Senate Labor and Commerce Committee  
Alaska Legislature

RE: Senate Bill 21, an act relating to the establishment of the Alaska Work and Save Program

Dear Senator Bjorkman, Chair; and Honorable Committee Members:

On behalf of the American Council of Life Insurers (ACLI), I write to express concerns with Senate Bill 21, which would establish the Alaska Work and Save Program. Senate Bill 21 poses significant costs and risks to the state of Alaska, private employers, and potential employee participants. Similar state-run auto-enrollment individual retirement account (IRA) programs have been rejected by approximately 35 other states and the experiences of the seven states that have implemented such plans reveal the limitations and shortcomings of the programs. Financial and retirement security is the primary mission of ACLI's 280 member companies, so while ACLI shares the goal of helping more Alaskans save for retirement, we would suggest a different path forward.

#### Weighing Cost vs. Effectiveness

The Alaska Work and Save Program would likely be expensive for the state to implement and administer, and the fees charged to participants are unclear. Most states that have considered state-run retirement plans have found the start-up, marketing and ongoing costs to be significant. For this and other reasons, only seven of the 15 states that have adopted such plans (California, Colorado, Connecticut, Illinois, Maryland, Oregon, Virginia) have implemented them. Policymakers should consider whether the costs of a state-run retirement program make sense given the wide and growing availability of low-cost, high-quality plans in the private market. Although the state mandated plans that are in general enrollment have attracted a significant number of new savers, the plans have some limitations that should be considered. For instance, the percentage of employers participating is below expectations and there are greater-than-expected worker opt-outs and withdrawals.

According to the Georgetown Center for Retirement Initiatives, the seven existing state-run IRA plans have accumulated more than \$2 billion in assets from more than 900,000 savers working for 69,000 different employers. However, employer participation in state-run retirement plans has lagged even with statutory mandates in place. Opt-out rates have exceeded 20 percent in most states and withdrawal rates are 17.5 percent in California and between 25 and 30 percent in Illinois and Oregon. The latter statistic indicates that many workers in states with government-mandated Roth IRA plans are using the plans for emergencies and short-term needs, rather than

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The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

for long-term retirement savings. The prohibition on employer matching in these state programs, needed to conform with federal tax law, also hinders long-term worker savings. Indeed, although in place since 2019, the average funded account balance in the California CalSavers plan is only \$2,147.

### A better path forward

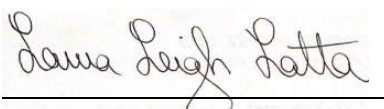
Fortunately, there is a vibrant and growing marketplace of robust private retirement plans available to address the retirement savings needs of Alaskans and avoid the costs and risks associated with S. 21. In December of 2022, Congress signed into law the Securing a Strong Retirement Act of 2022 (SECURE Act 2.0). The bipartisan SECURE Act 2.0 builds upon the SECURE Act of 2019 to further strengthen options for low-cost, high-quality retirement plans by providing market-based incentives and tax credits for small employers to adopt auto-enrollment retirement plans. These incentives are already creating a more financially inclusive retirement landscape and encouraging small employers to adopt new plans. Specifically, the SECURE Act 2.0 provides flexibility and encourages utilization among low- and middle-income earners, part-time workers, older workers, and military spouses. It even enables employers to contribute a 401(k) “match” for an employee’s student loan repayments, enabling Millennials with student loan debt to stop deferring saving for retirement.

Additionally, new multiple employer plan rules allow diverse employers of all sizes to join together in streamlined and cost-effective retirement plans. These association plans, as well as pooled employer 401(k) plans authorized under the SECURE Act of 2019, are widely available to local chambers of commerce, employer associations, and even to small business clients of large payroll providers like ADP and Paychex. The risk management firm AON predicts that “half of U.S. employers will join pooled employer plans in a decade; creating higher performing, more efficient 401(k) plans for millions of Americans.”<sup>1</sup> Employers that offer these plans may also contribute to or match their employees’ retirement contributions, which is a significant benefit of private market plans such as 401(k) and 403(b) plans.

In conclusion, ACLI member companies are committed to providing financial and retirement security for Alaskans through the private market. Retirement plans available to employers in the private market offer more cost-effective, safer alternatives to S. 21, and the newly enacted SECURE 2.0 further incentivizes retirement savings, especially among vulnerable and at-risk populations.

If the state does choose to move forward with a mandatory IRA program for employers, we do have amendment recommendations that will allow those employers to consider the robust private options noted above at the time of employee enrollment. Both Nevada and Washington have adopted such amendments with the goal of creating a true public/private partnership to expand retirement plan coverage in the state. We would be happy to meet with you and share those amendments with you.

We appreciate your consideration and would be happy to discuss these issues with you at any time.



<sup>1</sup> [https://benefitslink.com/cgi-bin/pr/index.cgi?rm=press\\_release;id=53723](https://benefitslink.com/cgi-bin/pr/index.cgi?rm=press_release;id=53723)

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