State-Sponsored Retirement

Auto-IRA Retirement Plans: Talking Points

By: NAIFA Government Relations, Updated January 2026

- The private sector already offers a wide range of retirement savings options, including IRAs, 401(k)s, and annuities, providing flexibility and customization for individuals. There are significant constraints to the savings that auto-enrollment savings plans can achieve when provided to workers in industries and firms with low wages, volatile wages, and high turnover.
- The SECURE Act (2019) and SECURE 2.0 (2022) dramatically expanded access to workplace retirement plans, especially for small businesses and part-time workers. It is now much more feasible (and less costly) for employers by simplifying the adoption of multiple employer retirement plans (MEP) and pooled employer plans (PEP) and by providing businesses with tax credits to establish new plans.
- State-run programs do not address why Americans are not saving for retirement. Simply auto-enrolling workers does not address why people may opt out, cash out early, or fail to save adequately. Without understanding consistent and responsible long-term planning, workers may still under-save or make poor financial decisions.
- State-run programs are expensive to set up and implement, creating ongoing expenses and liability for the state. They require upfront investments in technology as well as ongoing administration, compliance monitoring, and customer service. These expenses come from state budgets or are passed to participants through fees, yet do not guarantee improved retirement outcomes.
- Current programs in California, Oregon, and Illinois are significantly underperforming self-sustaining benchmarks and suffer from low participation, low employee contributions, high participant turnover, high account withdrawals, and high opt-out rates.
- Secure Choice and other state-run auto-IRA plans seek to avoid federal consumer protections. Additionally, auto-enrollment is already built into federal law in SECURE 2.0.
- NAIFA believes that states would be better served by using scarce state resources for education and outreach efforts designed to inform their citizens about the importance of saving for retirement, such as expanded funding for financial literacy or small business incentives to increase reitrement plan particiation, rather than implementing their own costly state-run plan.

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Auto-IRA Retirement Plans: State Updates

- A 2022 study, which looked specifically at Oregon's auto-IRA retirement program, found that estimated average after-tax earnings are low ($2,365 per month) and turnover rates are high (38.2 percent per year). Moreover, the study found that younger employees and employees in larger firms are less likely to opt-out, but participation rates fall over time. (Source: https://www.aeaweb.org/articles?id=10.1257/pandp.20221021)

- A 2024 Georgetown study found that employers in Oregon, Illinois, California and Connecticut, which previously adopted auto-IRA policies, were more likely to begin offering their employees retirement plan benefits in response to the policies compared to firms in states that do not have them. (Source: https://cri.georgetown.edu/wp-content/uploads/2024/08/Bloomfield-Goodman-Rao-Slavov-2024-Georgetown-CRI-WP.pdf)

- In California, the opt-out rate for the state's auto-IRA retirement program is approximately 30%, a rate that has held relatively steady since the program's inception; in Oregon, the opt-out rate is around 25%.