

Board Memo: September 2025 Meeting Agenda Item #4

Date: 09/17/2025

To: Minnesota Secure Choice Retirement Program Board of Directors Members

From: David Bergstrom, Minnesota Secure Choice Retirement Program Interim Executive Director

RE: Proposed Fee Structure

The Minnesota Secure Choice Retirement Program was appropriated a one-time lump sum of \$5 million at the beginning of fiscal year 2025 by the Minnesota State Legislature to get the program established and running successfully.

All overhead costs incurred during fiscal year 2025 were fully covered by interest earned on the program's original \$5 million appropriation. These expenses included administration staffing, rent, supplies, IT services, accounting, and human resources services. When the agency is fully staffed, yearly internal agency expenses are estimated to be around \$800,000 per year. Additional revenue will be needed to cover those expenses as the appropriation is spent down.

At the last board meeting, the board decided to enter the Partnership for a Dignified Retirement with five other states, spearheaded by the Colorado SecureSavings Board. Vestwell State Savings, LLC ("Vestwell,") is the program administrator for the state retirement programs in this partnership.

Minnesota Secure Choice Retirement Program negotiated a one-time payment of \$425,000 to be made in December 2025 to Vestwell, instead of two \$250,000 installments as previously projected. This \$425,000 will come out of the program's \$5 million appropriation and will fund Vestwell's start-up expenses before Minnesota covered employees start enrolling and paying Vestwell dollar-based participant fees in 2026.

This memo will explain a proposed fee structure for Minnesota covered employees who participate and how the Minnesota Secure Choice Retirement Program plans to become self-sufficient to provide for its own administrative and marketing expenses before the initial \$5 million appropriation is spent.

Key Points

- Minnesota Secure Choice Retirement Program will make a one-time, start-up payment to Vestwell of \$425,000 in December 2025.
- Participant fees will fund future operating costs of Vestwell and the Minnesota Secure Choice Retirement Program.

- Projected annual internal operating expenses of \$800,000 for the Minnesota Secure Choice Retirement Program agency will be funded from the one-time, \$5 million appropriation until participant fee revenue increases over time and is able to fund agency expenses.

The table below shows the projected timeline for exhaustion of the original \$5 million appropriation based on an ongoing budget of \$800,000 starting fiscal year 2027 without additional revenue.

Table 1: Projected use and dwindling of original \$5 million appropriation without replacement by participant fees

Fiscal year start date	Beginning balance of appropriation	Minnesota Secure Choice Retirement Program agency expenses	Vestwell expenses paid by appropriation	Total amount spent out of appropriation during fiscal year	Fiscal yearend appropriation balance
07/01/2024	\$5 million	\$225,000 (agency not fully staffed yet and contract not yet signed with Vestwell)	N/A	\$0 (expenses incurred covered by interest earned on \$5 million appropriation)	\$5 million (expenses incurred covered by interest earned on \$5 million appropriation)
07/01/2025	\$5 million	\$600,000 (agency will not be fully staffed for the entire fiscal year)	\$425,000 (to be paid in December 2025)	\$1,025,000	\$3,975,000
07/01/2026	\$3,975,000	\$800,000	N/A	\$800,000	\$3,175,000
07/01/2027	\$3,175,000	\$800,000	N/A	\$800,000	\$2,375,000
07/01/2028	\$2,375,000	\$800,000	N/A	\$800,000	\$1,575,000
07/01/2029	\$1,575,000	\$800,000	N/A	\$800,000	\$775,000
07/01/2030	\$775,000	\$800,000	N/A	\$800,000	-\$25,000

Goals to Consider When Establishing a Fee Structure

- Minnesota Secure Choice Retirement Program should be self-sustaining in five years with no need for additional legislative appropriations.
- Participant fees are stable.
- Participant fees are competitive with similar programs.

Staff Recommendations to the Board

In addition to charging the annual fixed 0.05 percent asset-based participant fee required by our multi-state partnership, I propose the Minnesota Secure Choice Retirement Program establish a \$2 annual dollar-based participant fee in 2026, increasing by \$2 each time Vestwell's annual dollar-based participant fee drops by \$2 in accordance with reaching membership thresholds set for our multi-state partnership.

Currently, all participating covered employees of the partnership's member states pay an annual dollar-based fee of \$22 to Vestwell until employee participation in the partnership totals 200,000 accounts. The partnership is expected to hit that first threshold on Jan. 1, 2027, upon which Vestwell will drop its participant fee to \$20. Vestwell's participant fee will drop again, to \$18, when the partnership has 350,000 accounts, which is projected to occur on Jan. 1, 2029.

The table below shows a likely timeline for the increase of Minnesota Secure Choice Retirement Program's proposed dollar-based annual participant fees as Vestwell's annual dollar-based participant fees decline when the abovementioned thresholds are met.

Table 2: Annual dollar-based fees for Minnesota Secure Choice Retirement Program participants increasing over time as Vestwell's annual dollar-based participant fees decrease over time

Year	Vestwell dollar-based fee	Minnesota administrative dollar-based fee	Total Minnesota participant dollar-based fee
2026	\$22	\$2	\$24
2027	\$20 (200,000 account partnership threshold met)	\$4	\$24
2028	\$20	\$4	\$24
2029	\$18 (350,000 account partnership threshold met)	\$6	\$24
2030+	\$18	\$6	\$24

Projected Program Participation in Minnesota

The table below shows projected numbers for employees in Minnesota who would be eligible to enroll and likely to participate in the Minnesota Secure Choice Retirement Program by July 1, 2031. The numbers of eligible employers and eligible employees are based on 2024 data on Minnesota from the Bureau of Labor Statistics. The participation projections are based on studies done by the Pew Research Center and the growth of the Colorado Secure Savings Program. I tried to be conservative in my projections.

Table 3: Projected estimate of eligible program participants in Minnesota

Number of employees at employer	Minnesota employers in that size range (*2024 Bureau of Labor Statistics data for Minnesota)	Estimate of Minnesota employers without pension plans in that size range	Minnesota employees at employers in that size range (*2024 Bureau of Labor Statistics data for Minnesota)	Estimate of eligible Minnesota employees in that range
100 or more	5,500*	275 (5%)	1,821,000*	27,500 (assumes 100 employees per participating employer)
50 to 99	2,861*	430 (15%)	179,818*	21,500 (assumes 50 employees per participating employer)
25 to 49	5,677*	1,420 (25%)	187,939*	49,700 (assumes 35 employees per participating employer)
10 to 24	14,962*	5,984 (40%)	223,243*	89,760 (assumes 15 employees per participating employer)
5 to 9	19,000*	9,500 (50%)	121,000*	57,00 (assumes six employees per participating employer)
Total				245,460 total projected Minnesota employees who could enroll in the program

Taking into consideration an employee opt-out rate of 35% of 245,460 projected eligible Minnesota employees, I project Minnesota covered employee participation to reach approximately 159,549 accounts in five years when the program has been fully launched to all covered employers (defined by Minnesota Statutes 2024, section 187.03, subdivision 6).

Projected Revenue Generated by Dollar-Based Fees

By the fifth year of the Minnesota Secure Choice Retirement Program being live and reaching a projected participation of 159,549 accounts, revenue from charging a \$6 annual dollar-based participant fee that year alone could equal \$957,294 which is more than enough to cover the agency’s internal operating expenses of \$800,000 and have leftover to invest in the agency’s administrative account to earn interest.

Projected Revenue Generated by Asset-Based Fees

I project the average participant account balance to reach \$1,000 when the program is fully rolled out and have roughly \$159,549,000 held in trust by the program. Partnership for a Dignified Retirement member states are required to charge a fixed asset fee of 0.05 percent. An asset-based fee of 0.05 percent would generate \$79,774.50 by the fifth year of the program, which would be reinvested in the agency’s administrative account to keep earning interest and rebuild the overhead cost cushion. This keeps the agency sustainable, more resilient to rising operating costs due to inflation, and resourced so it can continue educating Minnesota covered employees about this retirement savings opportunity.

In Comparison to Other States

Many state programs in the partnership also charge their own, smaller dollar-based fee, taken out of participant accounts by Vestwell at the same time as Vestwell’s fee, to sustain their overhead agency costs.

Those dollar-based fees are in the table below:

Table 4: Dollar-based fees for participants in other states

State	Vestwell dollar-based fee	State administrative dollar-based fee	Total participant dollar-based fee
Colorado	\$22	\$0	\$22
Delaware	\$22	\$4	\$26
Maine	\$22	\$4	\$26
Nevada	\$22	\$4	\$26
Vermont	\$22	\$4	\$26

Self-Sustaining by Year Five

Not counting any revenue brought in the first four years of the Minnesota Secure Choice Retirement Program being live from participant fees, the program and agency should be self-sustaining by July 1, 2031, when the original \$5 million legislative appropriation has been exhausted.