Oregon Retirement Savings Plan

Working Group Activity – Interim Reports

May 2016

Plan Design

The Plan Design working group is chartered to review and comment on proposed plan design intended to encourage participation by eligible employees and significant accumulation of retirement savings, keeping in mind legal requirements and restrictions of the Department of Labor and the Internal Revenue Code. This Group has met three times in March and April, covering topics including Contributions, Investments, and Eligibility. It next convenes on May 10, 2016, focused on Withdrawals. Highlights of discussions to date include:

- *Types of Account*, with the group gravitating toward a consensus that a Roth IRA seemed to be the best fit for most participants. However, it might be helpful to have a traditional IRA available as a non-default option.
- *Default Investment Option* - the group consensus was that an age-appropriate target date fund should be the default investment choice.
- *Additional Investment Options* - the group discussed what additional investment options (if any) should be available for participants who do not want the default choice. Some group members felt that no other investment choices should be offered, others felt additional choice should be offered. One possibility would be to offer a "safety" option and a "growth" option in addition to the target-date default option. Other suggestions included options similar to the Federal Thrift Savings Plan (five low cost asset-class funds) or Oregon's College Savings Plan (several pathways for investment, including target-date funds, risk-based funds, and asset class funds).
- *Safety Corridor* - The group spent considerable time discussing whether there should be a different and safer default investment initially, such as a stable value fund. Most group members felt that a safety corridor was not appropriate because it would deprive the participant of investment growth during the initial period.
- *Definition of an Employer* - The bill establishing the Oregon Retirement Savings Plan mandates participation by employers but does not define that term. There was agreement that it would be helpful to use an existing definition. One group member commented that the definition should not be forward-looking (i.e. should not be based on what happens in the future) – the employer should know up front whether participation is required. Among several choices, the UI definition may be the most appropriate. Group members were asked to look more closely at this definition and send comments regarding whether it strikes the right balance
- *Employer Phase-in* - The plan will begin accepting funds on July 1, 2017, but it may make sense to phase in participation over a period of time. Group members suggested a phased-in approach by group, focusing first on employers better positioned to implement first (no plan, larger size, using a payroll service provider, having an HR function), and gradually rolling in mid-

size and smaller employers, opt-in participants, and any others not yet included. The service provider chosen for the plan will also have a significant role in determining optimal timing and approach.

- *Qualified Plan exclusion* - The group discussed the meaning of the exemption for employers offering a "qualified plan." There was general agreement that a "qualified plan" is one meeting the IRS definition. Approximately 220,000 Oregon employees work for an employer offering a plan that does not include them. This issue may need further analysis and clarification. One option might be to plan a later phase-in of this group, to give time for this additional analysis. The group discussed but did not reach any consensus on this issue.
- *Eligible employees* - There was general agreement that to be eligible, a person must be employed in Oregon – place of employment is the determining factor, not the employee's residence or the employer's HQ. Some group members said there may be regulatory restrictions on auto-enrollment for someone under age 18. The UI definition may include a minimum number of hours worked. There was agreement that some waiting period is needed after hire, to give time for employee notices and opt-out. Many benefits start 60 to 90 days after hire.

Program Design

The Program Design working group is chartered to review and comment on proposed program design and the forward-going operating model, keeping in mind legal requirements and restrictions of the Department of Labor and Internal Revenue Code. Program design includes such elements as: Roles of Employees, Employers, Service Providers, the State and its Agencies; Operating Models and the flow of information, funds, and issue resolution; and Safe harbor characteristics as proposed and confirmed by the DOL. This Group held its initial meeting in March, reviewing example operating models and discussing general implications for employees and employers. It next convenes on May 10, 2016, focused on components of an operating model that could be proposed for Oregon. Highlights of discussions to date include:

- *Money In* – the importance of initial employer engagement, including a concept of employer enrollment or authentication into the program, employee notification and the employee experience at and after enrollment, roles and responsibilities around payroll deduction including remittance of data with funds, and more
- *Employer Engagement* – considerations related to employer awareness and identification, including clearly communicated definitions (Employer, Employee, Eligibility, and more), concepts around employer groupings for a phased rollout approach; discussion of possible data requirements and protocols
- *Employee Engagement* – initial discussion of roles and responsibilities of the State, the Administrative Recordkeeper, and the Employer.
- *General Comments* – focused on importance of efficiency and ease of use for various types of stakeholders (employers, employees, service providers), design to support portability, and automation to support lower costs to operate.

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Financial Literacy

The Financial Literacy working group is chartered to review and comment on potential recommendations of the Oregon Retirement Savings Board which will be presented to the Legislative Assembly regarding ways to increase financial literacy in Oregon. Review and discussion will focus on literacy and financial education approaches for plan-eligible workers in Oregon, state-wide, and reflective of key demographic groups. This Group has met twice over March and April, covering topics including results of an informal financial literacy survey of programs available in Oregon today, and discussing critical literacy concepts, content approaches, and resources. It next convenes on May 25, 2016, focused on initial recommendations and action plans. Highlights of discussions to date include:

- Survey results show that a wide-ranging set of financial literacy and education opportunities exist across Oregon, but that confidence in Oregonians' 'retirement literacy' is very low
- There are many well documented efforts to change policy and Oregon's educational standards and funding to improve what is taught and how it is measured, but success has been limited
- For eligible workers to be informed participants in the Oregon Retirement Savings Plan:
    - *Eligible or Approaching Eligibility* - Identify how they should perceive the Plan and what they should know ahead of time (concepts: budgeting, small consistent savings add up, good for your family, answers to FAQs such as how does this Plan work for me, where is my money, and more)
    - *Participating* – Provide stepwise information enabling participating savers to become more informed, to understand risk/return tradeoffs and weather investment cycles, to set and test retirement savings goals, to ensure beneficiaries are current
    - *K-12* – generational changes occur and stick when you get kids involved and committed (think litter, recycling, saving water). Consideration must be given to how 'savings security' can be promoted and adopted early in life, and to whether this generation's kids should be part of helping them think about retirement savings in a fresh way.
- Messaging – should be simple, straightforward, culturally relevant, delivered in consumable pieces and in a variety of forms and media, including 1:1 and in classes (think partner organizations or existing programs), and via online and 1:many (think simple forms, packaged information, online tools, apps, and messaging opportunities provided by statements and more)
- There's no shortage of material or programs aimed at financial literacy and education: what programs can we identify and promote that align with and/or fulfill the literacy needs associated with participating in the ORSP – closer analysis needed
- Most existing curricula and materials used in financial literacy in Oregon do not incorporate **retirement planning** as a specific topic.
- Financial Education Standards exist to help ensure consistency and quality of Financial Education across the state; they do not endorse any specific curricula or set of tools to promote flexibility and innovation. However, best practices for financial education delivery and assessment tools to measure success do not exist.

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- Standard **best practices** for the delivery of financial literacy to address the needs of **diverse populations** do not exist, as well as **assessment tools to measure effectiveness.**
- State leadership in the area of financial literacy to ensure high quality and consistency is not clearly articulated or recognized.

Outreach

The Outreach working group is chartered to review and advise on the development and execution of a proposed outreach plan to gain input and disseminate information regarding the plan and retirement savings in general. Stakeholders in this plan include employees and employers, their representative organizations, and professional organizations, legislators and others who should be informed, have their perspectives and opinions considered, and who may help to promote success of the program and increase retirement savings success in Oregon. The outreach plan will also focus specifically on Small Business in Oregon. This Group held its initial meeting in April, reviewing outreach goals, and discussing awareness and messaging strategy. It next convenes on May 26, 2016, focused on approaches to expand the current awareness and messaging network. Highlights of discussion to date include:

- Importance of state-wide promotion and awareness
- The program should leverage community connectors, including advocacy groups, as trusted messengers – in line with the concept of a statewide network of 'trained trainers' linked to organizations that support both employees and employers
- Importance of the Plan owning its own messaging and creation of positive perception
- Notes from other recent state program launches – the ORSP should ensure it has a strong infrastructure, support resources for employers and employees, well defined process maps and advance elimination of potential barriers
- Messaging should be simple, timely, culturally relevant, and balance gravitas with engagement

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