

OREGON RETIREMENT SAVINGS BOARD
PROGRAM DESIGN WORKING GROUP
Notes of discussion from 3/31/2016 meeting

The meeting began with roundtable introductions and a review of the Working Group charter.

Segal Company and Bridgepoint Group, consultants to the Oregon Retirement Savings Plan, provided a framework for the Operating Model discussion (see end).

As the framework was presented the group discussed a variety of related questions, including:

- *What percent of the expected Plan-eligible population will have access to the web*
- *Who will or should be responsible for initial retirement account setup – the State, or payroll providers, or another entity*
- *Identifiers and portability – how/can social security numbers be used*
- *OTTER – does it provide a simple interface for payroll-based deductions that could be relevant to this conversation*
- *Oregon – one participant noted that there may be as many as 30,000 employers submitting payroll and tax information manually / using paper*

The Working Group then began a further discussion, detailing elements involved with certain aspects of an Operating Model for Oregon, as follows:

(1) Money In – Key Elements

- Initial Employer Engagement
- Employer Enrollment
- Employee Notification
- Initial employee deduction:
Calculation, remittance, information
 - Employer role
 - Payroll provider role
 - Recordkeeper role
- Employee experience:
 - Statements and reports
 - Online access
 - App-based access and engagement
- Election change frequency – what makes sense:
 - Open enrollment, or
 - Any day, assuming direct relationship between Employee and Recordkeeper
- Lump sum contributions, if allowed
 - Rollovers, catch ups, other

(2) Employer Engagement

- How do you identify covered employers
 - Data source
 - Ability to notify
 - Revenue Department, possible Tax form change to capture Employer information:
 - Company offers a qualified plan: Y N
 - All employees are eligible to participate: Y N
 - Company facilitates the ORSP: Y N
- Precursor: Definitions
 - Employer, Employee, Eligible, Exempt
- Consider using EIN databases to access
 - Comment, 'at least four sources at the state'
 - Employers with payroll (that are not exempt)
- Employer ability to choose their slot in a phased roll out process – possible?
- Considerations:
 - Cost – Fixed – Impact

(3) Employer [Enrollment]

A discussion ensued here that Employers are not, on an optional basis, enrolling in the program but are instead facilitating a state-administered retirement plan; is the activity of recognizing and including employers in the program called Authentication, or Verification, or Enrollment, or something else.

- Employer data requirements and protocols
 - To be defined based on final operating model and process
 - What is state already collecting
 - Comment: if Employer using a payroll software or service, the capability to remit data to a recordkeeper already exists
 - Note: Roth v Traditional adds complexity? Could there be any Employer responsibility here?
 - Leverage ACA processes?
- Setting up processes related to facilitation

(4) Employee Notification

- State:
 - Provide access to standard materials
 - Provide definitions
 - Provide some form/s of support to Employers with questions
- Employer - Notifies Employee
- Recordkeeper / provider – to be confirmed / not discussed in detail

(5) Initial Employee Deduction

Time began to draw short and the discussion here was cursory:

Roles:

- Employer
- Payroll Provider
- Recordkeeping Administrator

Functions – Employee:

- Opt Out
- Return of Funds (I didn't mean to enroll)

Important to define where the employee communicates and the flow of information

A few final comments at the end of the session included these:

- What data should be managed at the source
- For participants, in addition to online or app, paper needs to be an option
- Roth: default account choice for California; review Connecticut – will the account type decision create a burden for employees or employers

The meeting concluded on time.

The next Working Group meeting is scheduled for Tuesday, May 10 at 1:00 pm.

Core Operating Model Tenets

In order to build the most efficient operating model, we should consider the key drivers of scale:

<p>Minimize Variation:</p> <ul style="list-style-type: none"> The fewer choices or "if/then" statements we build into the plan, the less complexity, the lower the cost – simplicity is our friend. We should engineer the "minimum viable offer" with the fewest possible choices Processing volumes should be spread evenly over the period (e.g. no month-end, quarter-end spikes) 	<p>Data – The fewer the sources of data, the better:</p> <ul style="list-style-type: none"> Priority 1 = Straight from and to employer to the recordkeeper or potentially through an aggregator (state or 3rd party) depending upon provider capabilities and state preferences <ul style="list-style-type: none"> All data validated at the source to eliminate NIGO's Priority 2 = Directly from employee to recordkeeper through the web <ul style="list-style-type: none"> No data from employee to the recordkeeper via paper, phone, other Round trip – e.g., data required to close the loop on a transaction or interaction would be electronic Investment data, trading data, etc. would follow industry protocols and interfaces – NSCC, etc.
<p>Customer Experience:</p> <ul style="list-style-type: none"> The fewer "types" of customers dealt with, the cheaper the model – e.g., number of departments/areas within the state, employers, employees, other parties of interest. The less complicated the customer service and interaction model, the cheaper the solution The fewer the person-to-person interactions, the cheaper the model, as 70% of a recordkeeper's cost is people <ul style="list-style-type: none"> Should be designed to force customers to electronic channels, with the experience engineered to only allow personal interaction for life events Key attributes: <ul style="list-style-type: none"> Clear, easy to understand web experience No paper - everything delivered electronically Limited interaction between the employer and the recordkeeper 	<p>Technology:</p> <ul style="list-style-type: none"> Strong integration and straight-through processing Strong front-end customer interaction capabilities via web, etc. Traditional recordkeeping solutions, as well as some of the new technology solutions coming to market that could be adapted to support this operating model, should be considered

- Keeping costs low needs to be balanced with the objective that the state does not want to burden the employer and with creating a good employee experience.
 - Making things simple is key
 - Embracing mobile, as well as web technology will have the broadest reach and greatest success in electronic delivery

Managing as many of the required activities at the source as possible will ensure that program resources support only those activities critical to the success and scalability of the program

Themes

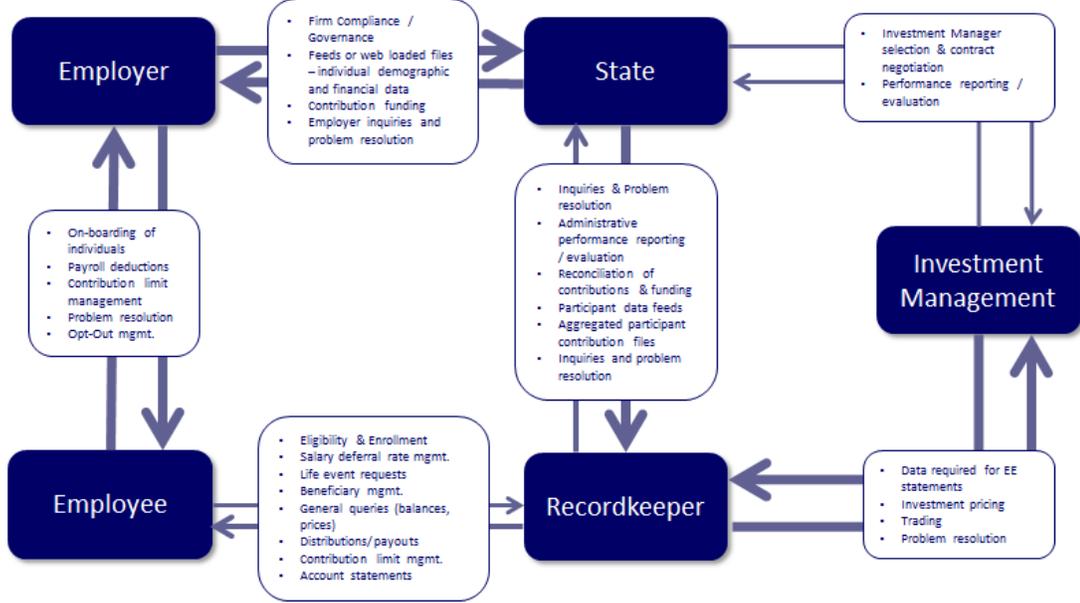
High-Level Interaction Model

Sample for discussion – not recommendation or final

Width of line denotes volume and complexity of interaction

State collects & consolidates data and \$ for period feed to recordkeeper

In this model, the state plays an integral role in ongoing administration



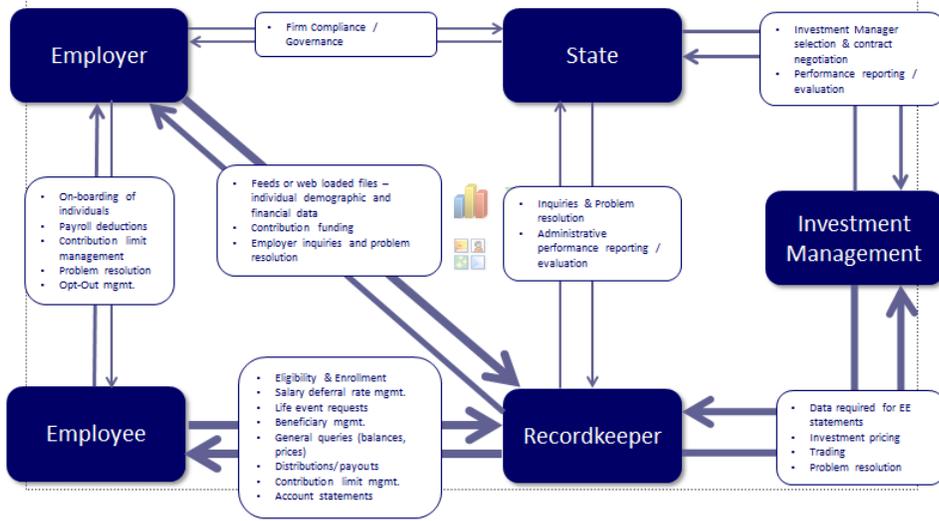
High-Level Interaction Model

Recordkeeper receives data and \$ directly from the employers

Sample for discussion – not recommendation or final

Width of line denotes volume and complexity of interaction

In this model, the state acts primarily in an oversight capacity



Interaction Model Considerations

Approach	Potential Advantages	Potential Challenges
State or other 3 rd party as data aggregator	<ul style="list-style-type: none"> • May be more attractive to potential recordkeeper to receive a consolidated feed • May be able to leverage existing data feeds between employers and state • May place less burden on employers 	<ul style="list-style-type: none"> • Likely requires substantial upfront investment and ongoing costs • Potential legal issues and liability if \$ do not go directly to IRA custodian • Reconciliation problems could cripple the program
Direct between employers and recordkeeper	<ul style="list-style-type: none"> • Minimizes potential delay and reconciliation problems • Funds go directly from payroll to IRA custodian, with no legal concerns for delays or comingling with other funds • Does not place ongoing operational burden on the state 	<ul style="list-style-type: none"> • Few recordkeepers, if any are equipped to handle the volume of payroll feeds at this scale (# of small employers) and will require enhanced technology • May place increased burden on the employers • May require payroll providers to adapt to recordkeeper's requirements