



# PROGRAM DESIGN

## Oregon Retirement Savings Plan Board Meeting

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# Presentation Objectives

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## ➤ Key tenets of operation

- Minimize variations and sources of data
- Maximize “customer” experience and use of technology

## ➤ High level operating model

- 2 alternatives
- Matrix comparing key operating model features with pros and cons
- Operational flows for key transactions (journey maps)

## ➤ Four areas of focus

- Money In
- Money Out
- Employer Experience
- Employee Experience

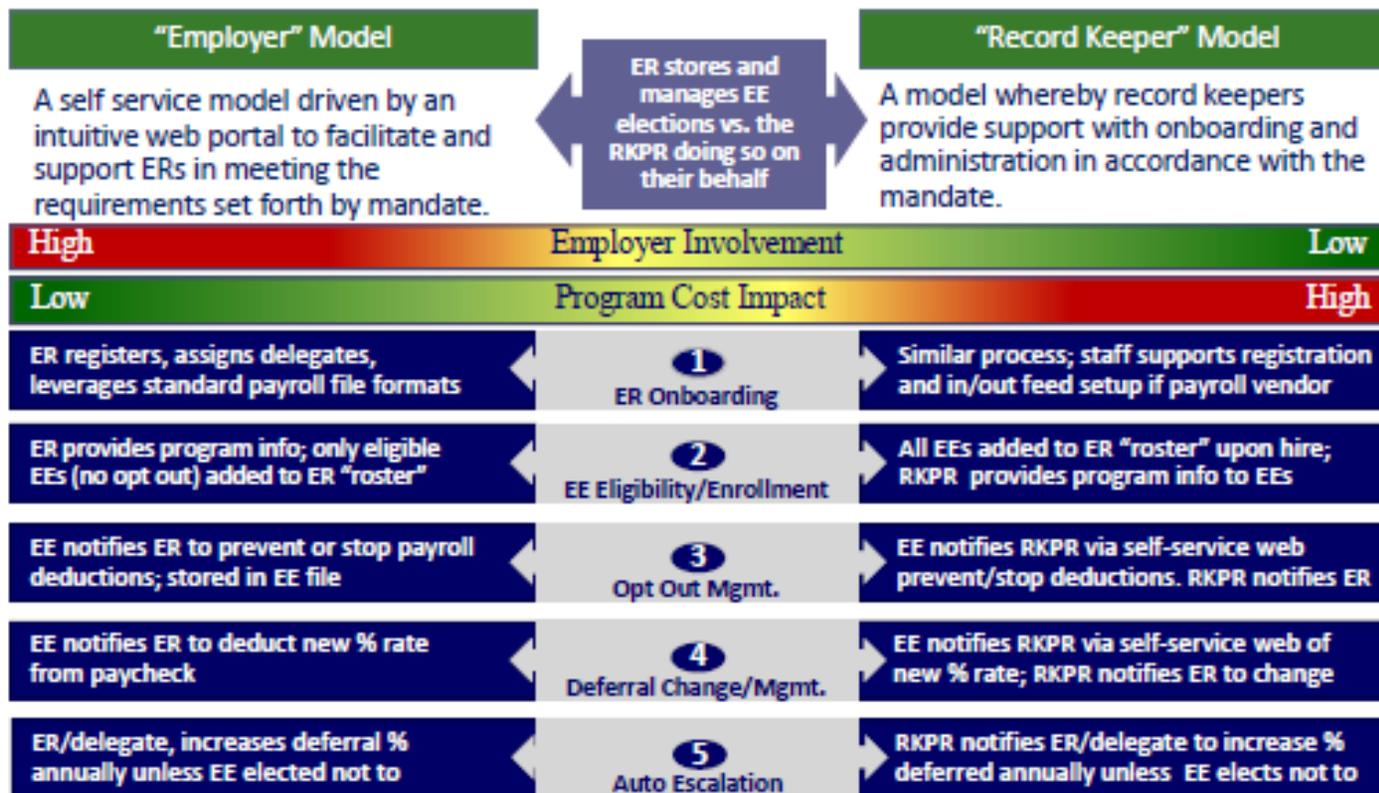
# Employer Onboarding Considerations

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- General Program responsibility awareness (outreach)
  - General benefits of retirement savings program and making employers aware of their role/responsibility in this valuable effort
  - Outreach to payroll service firms
- Determining whether the employer falls under the mandate
  - How an employer will determine
  - How to obtain clarification
  - How to file an exemption/notice if not a covered employer
- Covered employers responsibilities and duties
  - Enrollment information distribution
  - Timing and requirements
  - Processing opt-outs and enrollments
  - Documentation to show compliance with the notice requirement (Enforcement)
  - Employee interaction with recordkeeper, e.g.
    - » Investment selection
    - » Beneficiary designation

# Two Potential Service Models

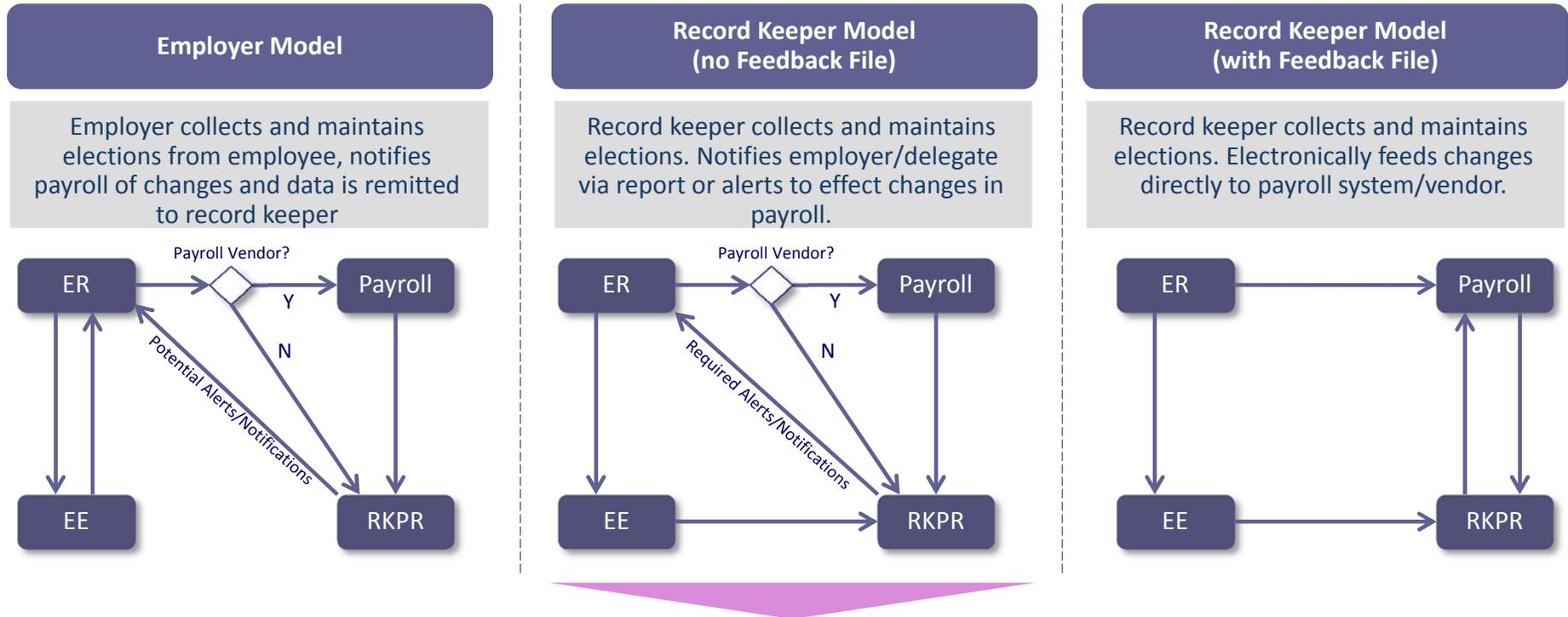
There is an inverse relationship between reducing the burden on employers and the resulting operating costs of the program. Comparing the key high level activities beyond simple payroll remittance illustrates the differences and the associated impact.



Additional resources are required to establish and maintain in/out bound feeds with individual employers or their payroll vendors.

# Two Different Experiences

Below is a high level depiction of the data flow in the employer model vs that of the record keeper model. For employers whose payroll providers or software cannot support inbound data feeds (feedback files), there may be very little difference.



**The primary benefit to employers not supported by full service payroll vendors in the record keeper model is the record keeper driving ER action with alerts and notifications. This approach could be leveraged broadly in the employer model with minimal cost implications.**

# High Level Interaction Model #`1

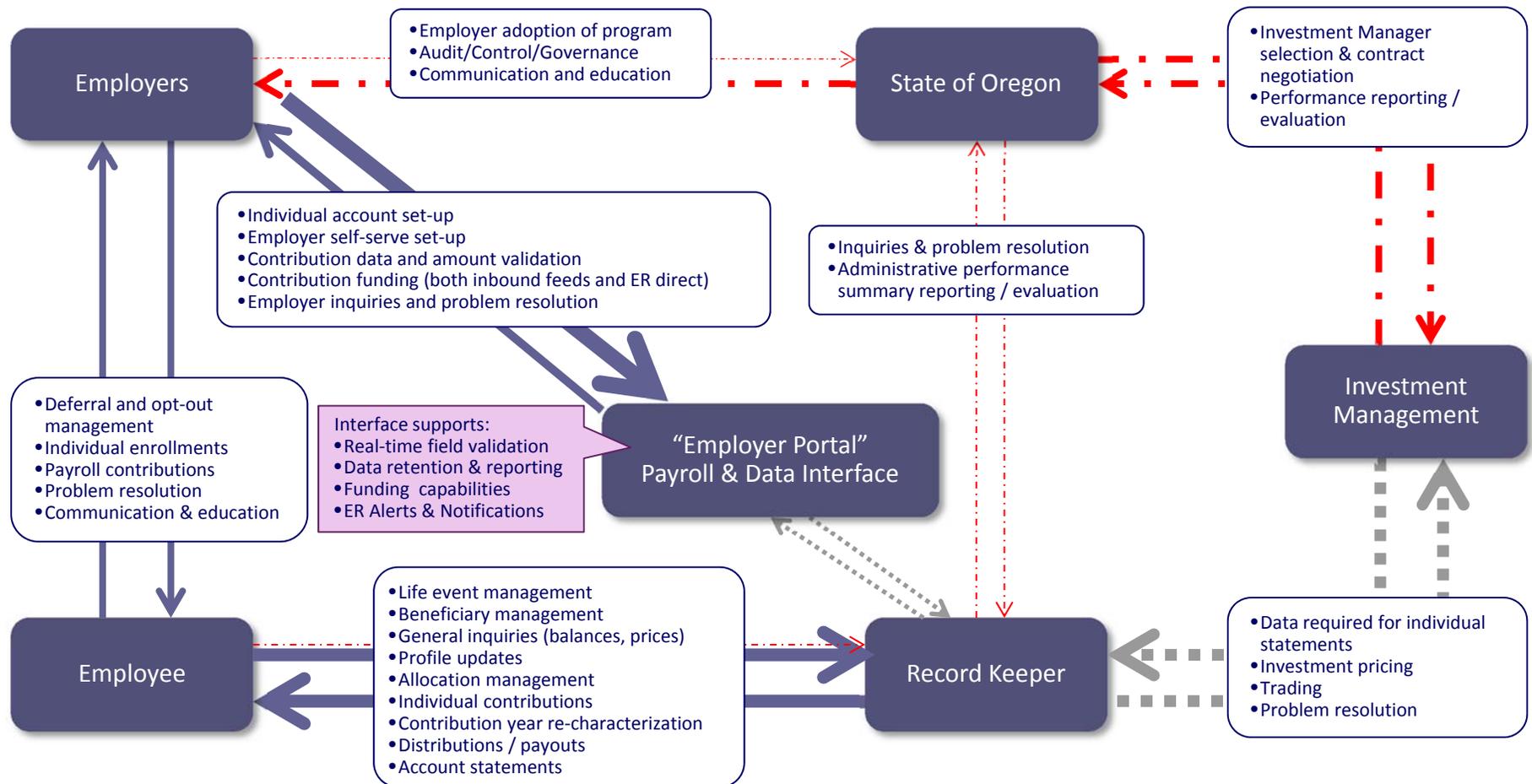
## "Employer" Model

**Legend:**

- Web-based interaction
- - - In person or phone
- ⋯ System interface

Width of line denotes volume and complexity of interaction

Due to the support needed to establish connections with all 100,000 employers, and based on the need to support them with ongoing data and \$ remittals, it is recommended that the program support a self-service interface, or employer web portal. This portal would offer robust capabilities to employers but also support the validation and aggregation of transmittals to the record keeper.



# High Level Interaction Model #2

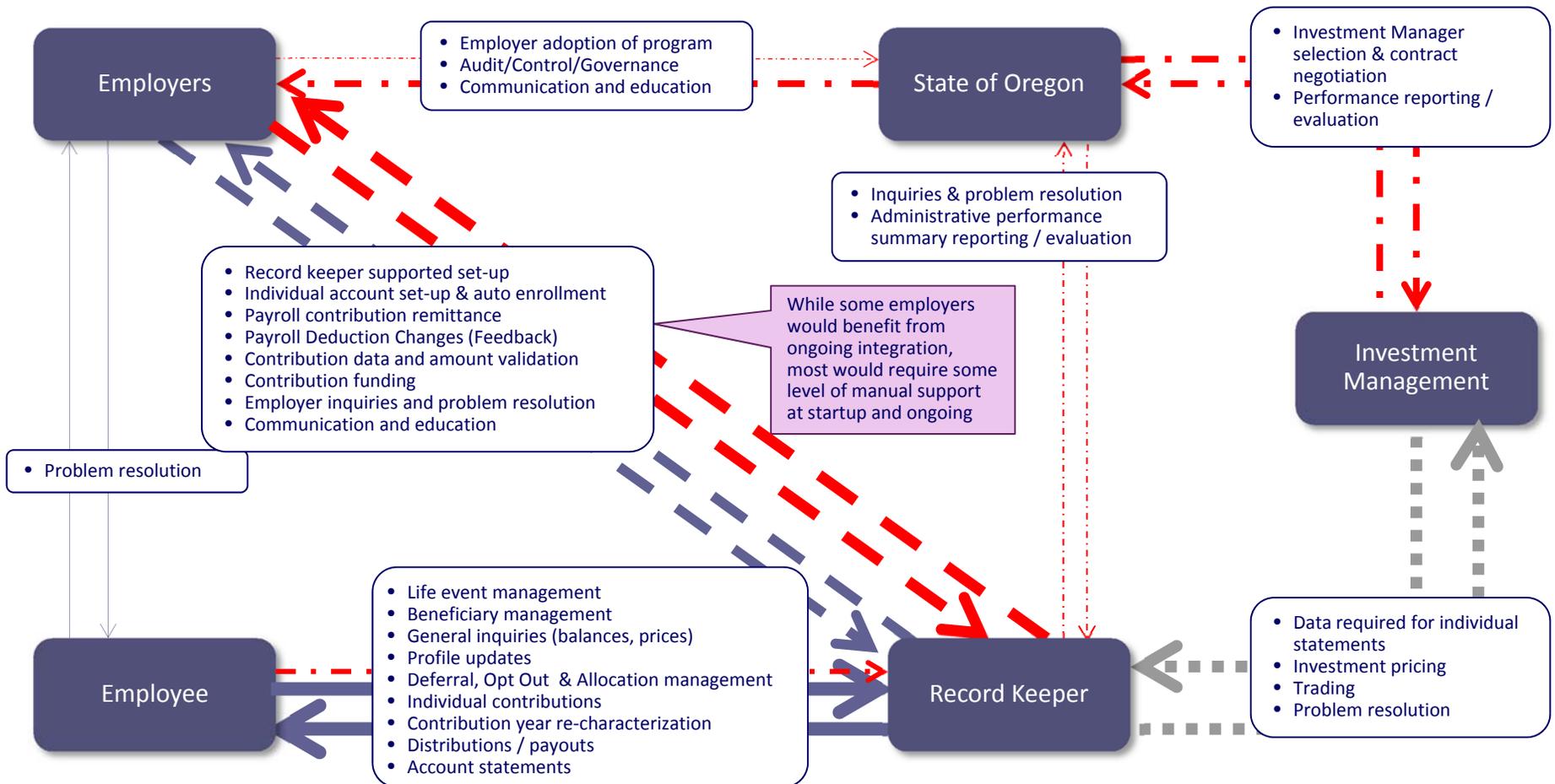
## “Record Keeper” Model

**Legend:**

- Web-based interaction
- - - In person or phone
- ⋯ System interface

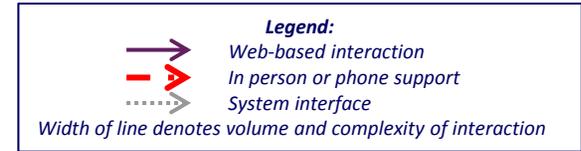
Width of line denotes volume and complexity of interaction

Shifting from a self-service ER based model to one that is supported on a hand-to-hand basis can require large numbers of resources to bring employers onboard to the program and provide them with ongoing support. The program would begin to look more and more like that of small corporate plan servicing, with cost implications which could serve to erode individual outcomes.

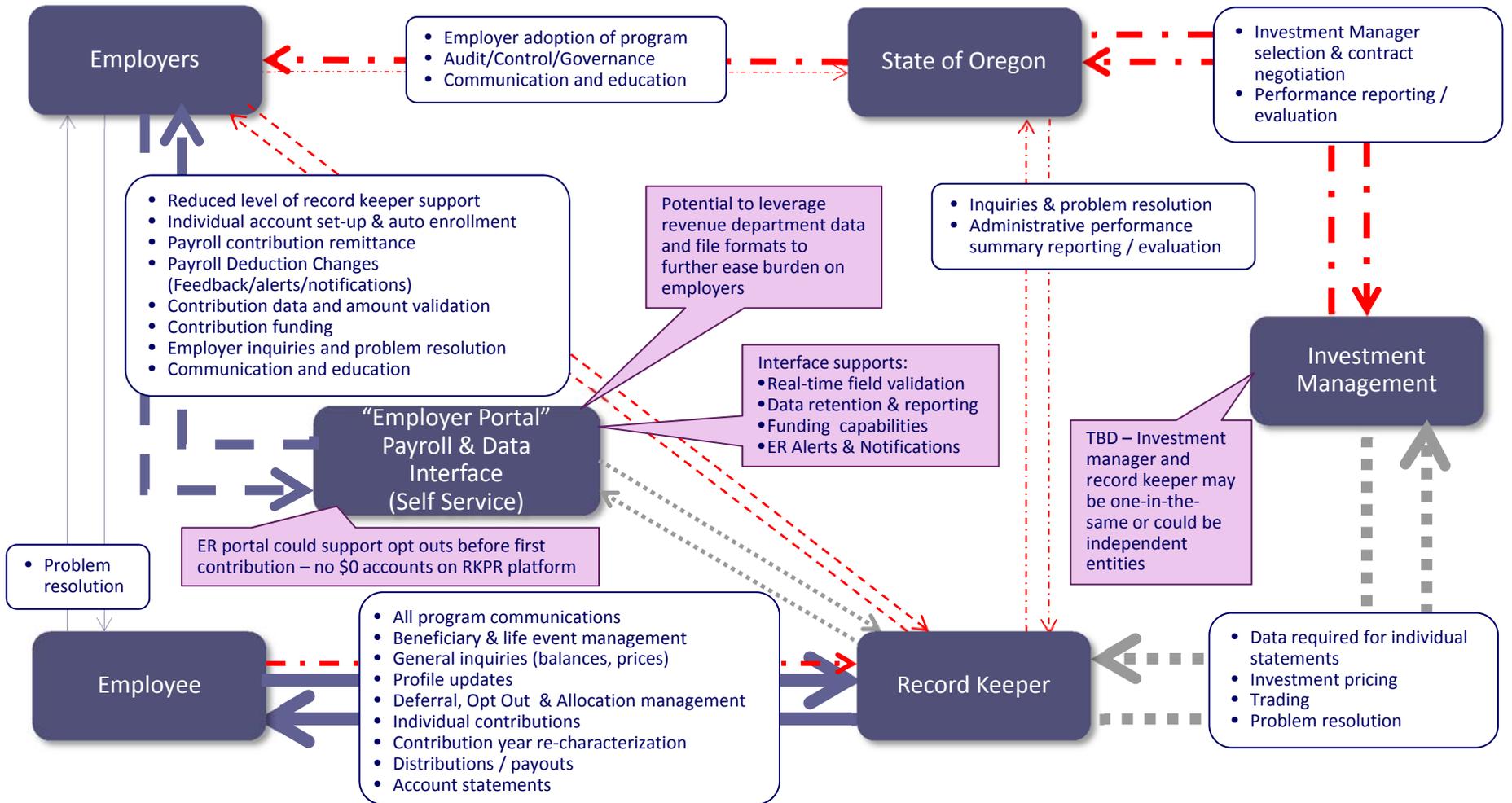


# High Level Interaction Model #3

## "Hybrid" Model



Leveraging aspects of both models might present an operating model which reduces the burden on employers to the degree desired at a cost which is acceptable to the state. This model shifts the management of all individual activities to the record keeper, but the employer would self serve at onboarding and for ongoing remittances. Record keeper resources would be basic support only and would exclude establishing and maintaining payroll file feeds or managing ongoing payroll remittance file reviews and validations.



# Finding the Right Balance

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## Record Keeper Model

### Pros:

- Employer level service support – start up and ongoing
- Provider tracks and manages all deferral elections, EE opt out and auto increase
- Provider support (feeds etc.) minimizes ER Involvement
- Simplified EE experience – all services, one source (initial communications and elections to pay outs)

### Cons:

- Administrative challenge when individuals work for multiple employers – unique elections (def. %, opt out, auto increase, benes, etc.) are complex & not IRA features
- Only benefits ERs with capable payroll vendors – all others require regular ongoing involvement (similar to ER model)
- Additional service resources add to annual program costs
- Potential to become corporate plan “like” – with significant operating and service model implications (cost & scale)

## Employer Model

### Pros:

- Manages individual elections locally and at the source
- Streamlined self-service model is low cost & still can provide ER electronic alert and notification based event support
- Accounts would only be established for those not opting out, reducing need for RKPR to maintain \$0 accounts (cost)
- One service model for all, one account per individual, functions like a typical IRA – variation is antithesis of scale

### Cons:

- Employer would need to collect & store individual opt out elections (presumably form stored in EE file)
- Employer would need to obtain and disseminate basic program materials – deliver to EE, possibly directing EE to the web
- Employer charged with storing and managing default and alternative deferral rates, including changes due to auto increase or at the direction of the individual (potentially supported by RKPR alerts and notifications)

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Program Cost



ER Burden



# Journey Maps

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High Level Process Maps Highlighting Key Activities Across Both Models

ER – Employer  
 EE – Employee/Individual Account Owner  
 RKPR – Record Keeper  
 OR – State of Oregon

# Oregon RSP Journey Overview

	Employer On-Boarding	Individual Enrollment	Money In (Payroll Contributions)	Servicing	Life Event Processing	Money Out (Distributions)
1	OR notifies impacted ER's of mandated obligations and provides program information to all, including instructions for portal use, during initial rollout and beyond	ER provides program information to all EE's, along with a form to opt out or change contribution amount from default	Portal can notify ER/delegate when to begin deductions from an EE pay (EE clears the required KYC/OFAC checks as prescribed)	EE logs in to the individual portal and selects desired self-serve option (e.g.: change beneficiary, investments, contact info, initiate rollover-in)	Individual or beneficiary (bene) notifies RKPR of event (death, QDRO etc.) – provides documentation required to validate request	Individual logs in to portal to initiate distribution
2	ER registers for portal use and enters required business data (e.g., TIN)	ER accesses ER portal and enters EE data required to establish accounts and perform checks	ER or delegate enters or loads periodic payroll contribution to ER portal – limited to data required to validate the EE and apply \$ (SSN, amt.) as prescribed	Portal prompts for specific information needed to process the request	RKPR works with contacts to obtain all required information and documentation to validate appropriate bene(s)/alternate payee (AP)	Individual enters required information, including amount and receiving bank account information
3	Portal owner (RKPR) performs KYC and OFAC screening on ER – ER activated on portal once complete	RKPR performs all required checks on each EE (KYC and OFAC, etc.) No \$ in until complete	Portal performs all validations required on data (format, account is activated, reasonability) in real time	Portal validates all fields before submission – event is executed by RKPR in standard processing timeframes (\$-to-records matched for contrib.)	RKPR validates requests per standard process and notifies impacted parties of status/execution of request	RKPR generates confirmation email to individual
4	ER uses portal to either assign payroll contact delegate access to required portal components or they enroll EE's into the program, via the portal, themselves	RKPR opens IRA for each newly enrolled EE and activates account to receive contributions – possible electronic notifications triggered (text?) to EE	ER is provided required funding amount and reference number to be included in transmittal if the ACH is not initiated on the website as a "pull"	EE can use the individual portal to view status of request, timeline for completion, and to confirm result	RKPR establishes account for AP/bene and moves funds as prescribed upon validation – AP/bene remain in program, retail account or payout?	RKPR triggers required sell instructions with trustee & manages required share/asset movements – proceeds sent to individual via ACH or check as allowed
5	RKPR sends periodic reports to the state summarizing new ER's and EE's added	EE can visit web site and manage account and contact preferences	Web portal will trigger any notifications due to file/funding errors for ER or delegate to resolve			RKPR sends periodic reports to the state summarizing cash flows to/from the program

# State IRA Process Overview

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**The assumptions below apply are generally applicable to each of the following high level process maps.**

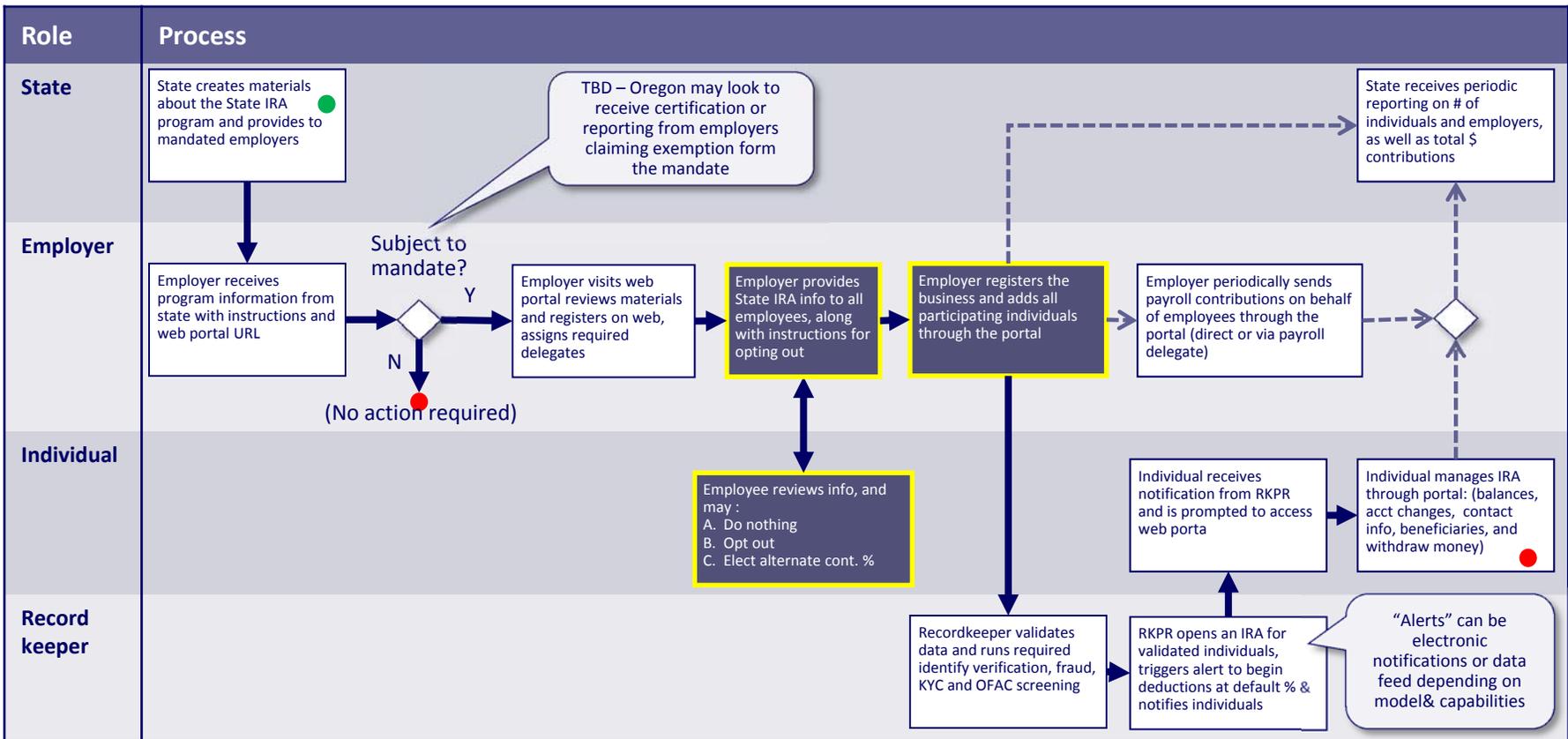
- OR will maximize electronic delivery
  - “Delivery” is intended to describe the process by which data, information and program materials are made available to individuals, employers, payroll vendors, the state or the record keeping providers without regard for whether the process calls for active dissemination or making something available for interested parties to access at their convenience
  - Delivery can occur at any time during the lifecycle of the program including employer onboarding, individual enrollment, payroll/data remittances, online statements, and servicing requests
  - Electronic channels include, but may not be limited to, web portals, mobile applications, text, email or data feeds
- A self service employer portal will exist to facilitate adding individuals to the program, providing access to ER delegates as needed, and management of submitting, correcting and funding all periodic payroll contributions for individuals
  - Two concepts introduced during working sessions should be explored further in an effort to reduce ER burden
    1. Leverage prior period employer tax filings to seed the employer portal - minimize data entry required at on-boarding
    2. Record keeper to support state tax submission file format as standard – employers and payroll vendors already familiar
- The individual portal allows individuals to view balances & transactions, withdraw money, change address, add or modify beneficiaries, change investments, etc. – Where these accounts are individually owned, ER’s will not have direct account access
- Only the individual can opt themselves out
- There are no errors depicted in the processes
  - While we generally recognize issues may arise from time to time, for simplicity of the flow design, error and rework loops are not depicted
  - However, it is assumed that ALL issues relating to invalid data and/or funding of payroll remittances will be pushed back to the employer, via electronic channels for their resolution – this requires appropriate self servicing capabilities to minimize potential need for record keeper involvement

# State IRA Process Overview

## Employer On-Boarding and Individual Auto-Enrollment (ER Model)



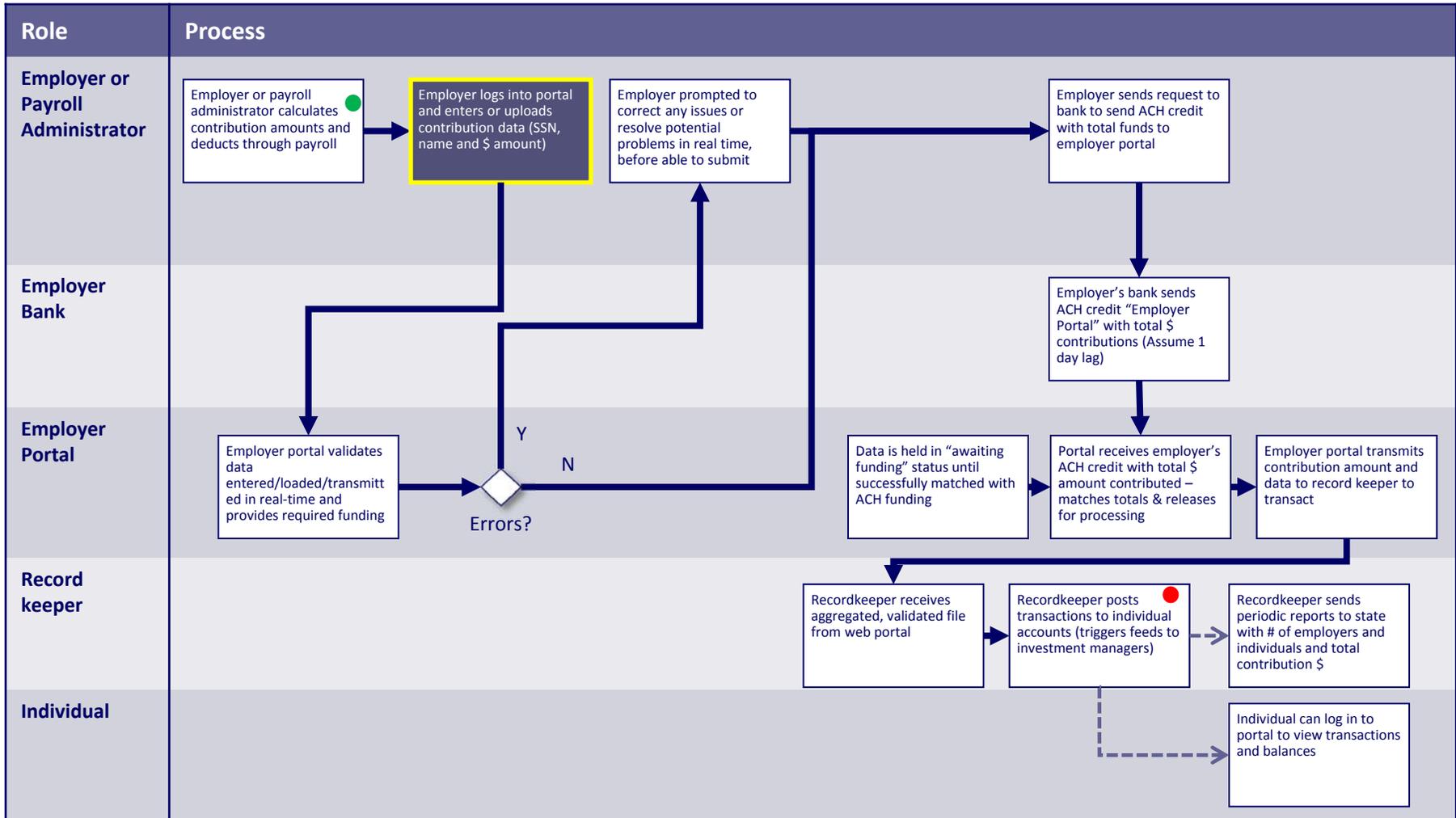
- Assumptions**
- OR will maximize electronic delivery – i.e. employer onboarding, individual enrollment, payroll/data remittances, online statements, and servicing requests
  - A self service employer portal will exist to facilitate adding individuals to the program, providing access to ER delegates as needed, and management of submitting, correcting and funding all periodic payroll contributions for individuals
  - The individual portal allows individuals to view balances & transactions, withdraw money, change address, add or modify beneficiaries, change investments, etc. – ER’s will not have this access
  - There are no errors in the process (portal validations and controls should be designed to support this assumption)



Highlighted steps represent key areas of competing priorities (ER burden vs. program cost) and differ between models

# State IRA Process Overview

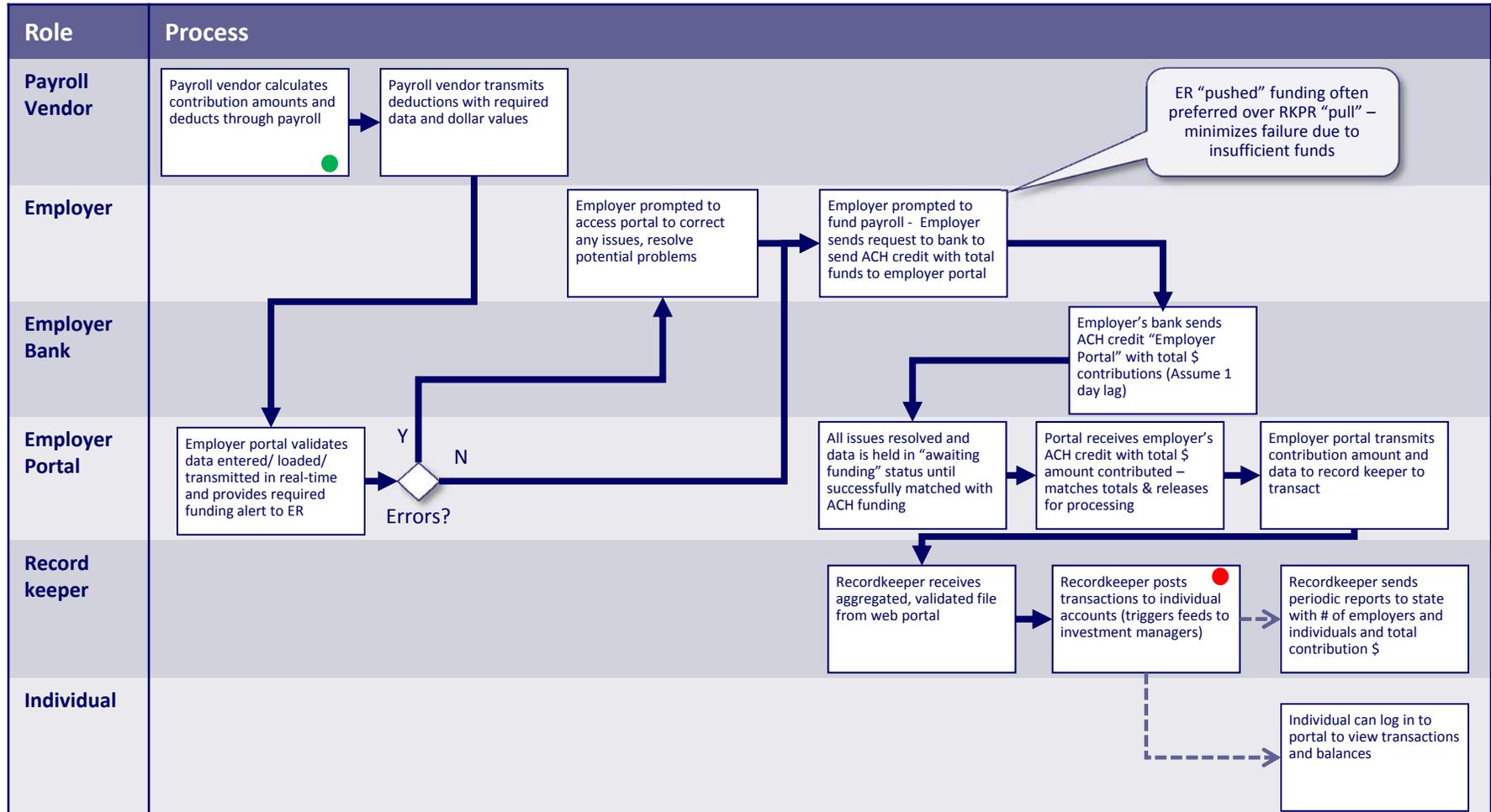
## Employer Money-In (Payroll Remittance via Portal)



Highlighted steps represent key areas of potential competing priority (ER burden vs. program cost)

# State IRA Process Overview

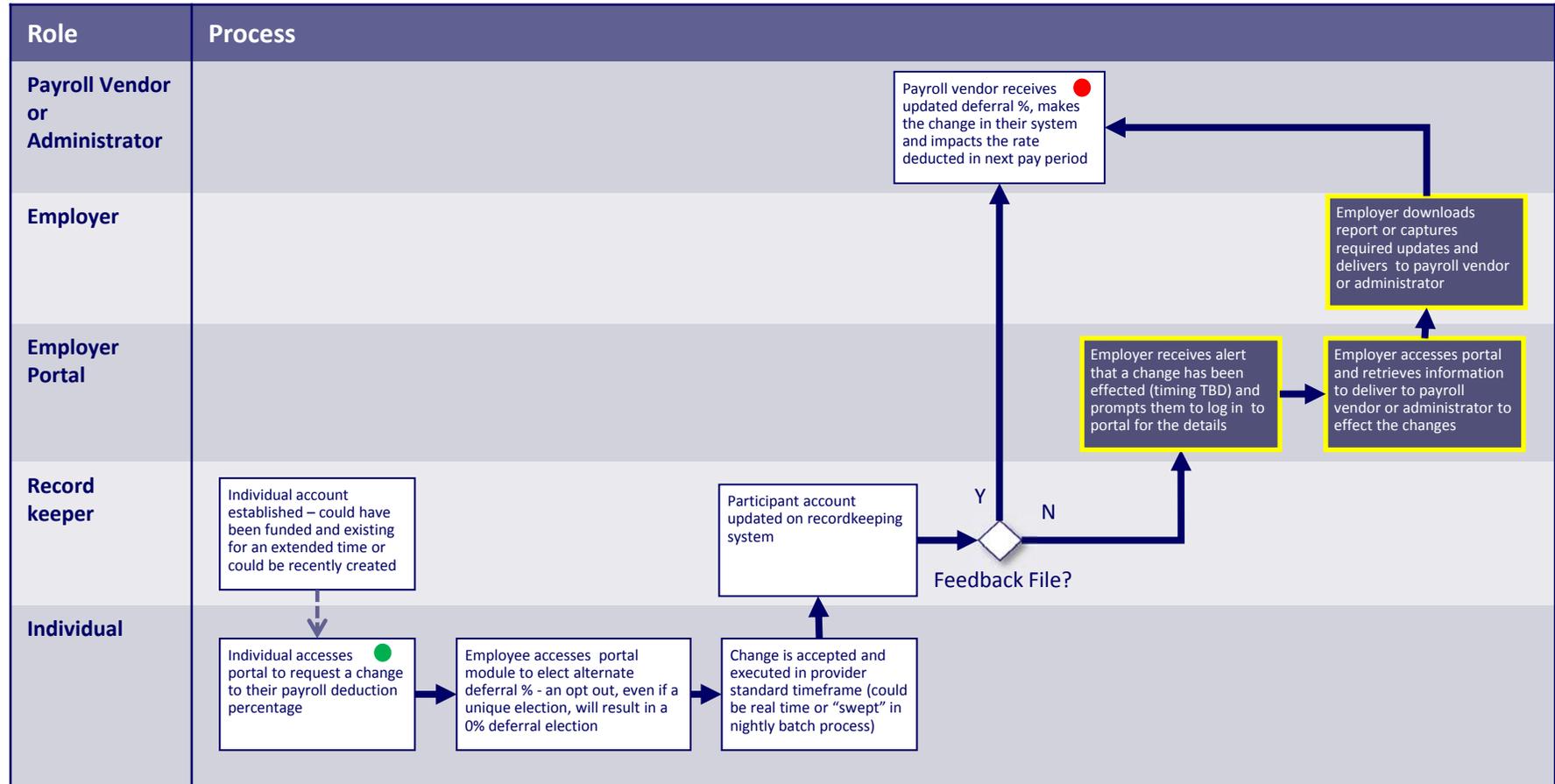
## Employer Money-In (Payroll Remittance via Vendor)



The above process is fairly standard in smaller corporate 401(k) plans and will be consistent between models with differences influenced primarily by record keeping and payroll vendor capabilities. One area current "plan" providers typically fall short is around managing data and financial file issues. We recommend that all such errors be addressed by the employer in both models and that this be facilitated via the employer portal through efficient, user friendly self service tools.

# State IRA Process Overview

Individual Deferral % Change, Includes Opt Out (Record Keeper Model)



Highlighted steps represent key areas of potential ER burden that are actually introduced as a result of the record keeper model when no payroll feedback files is available.

# Employee Experience -- Money Out

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- All requests for money out are handled by recordkeeper
  - EEs who have ceased participation and wish to close their account
  - EEs who need access to some or all of their account balance before “retirement”
  - EEs who have “moved on” and want their accumulated funds or to roll assets into an “individual IRA” or into their new ER’s DC retirement plan
  - Retirees who want to begin the “spend down” process
- Withdrawal request process
  - Procedurally will not differ for the various groups
  - Primary process will be on-line
  - The process including any limitations or restrictions will need to:
    - » meet the DOL safe-harbor to preserve ERISA exemption
    - » be assessed against employee dissatisfaction and potential for increased customer service
- Tax implications and reporting
  - Reduces available assets at retirement
  - Differs according to IRA type
  - Effects Tax Savers Credit

# Appendices

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- **Appendix A - IRA Account Data Requirements**
- **Appendix B - State IRA Record Keeper Required Capabilities**

# Required Data Points for Establishing IRAs

Below is a listing of data points reasonably expected to be available for employees that would generally be required by providers in order to establish an IRA account and to successfully validate through required anti-laundering and anti-fraud review processes.

Data Point	Description of Data Point	Comments
IRA Type	Roth or Traditional	One option recommended to avoid complexity
<b>Account / Account Holder Information Provided By Employer or Delegate</b>		
Legal Name	Full legal name associated with SSN/TIN	Standard
SSN/TIN	SSN/TIN	Standard
DOB	Account owner date of birth	Standard
SSN/TIN Certification	Account owner certifies SSN/TIN under penalties of perjury	May not be required due to mandate; providers to validate via KYC and against OFAC etc....
Legal Address	Address for income tax purposes – must be physical address	Standard
<b>Contact Information – Additional Data Points Can Be Collected and Maintained By Record Keeper</b>		
Alt. Address	Mailing address if different	Not required, optional – suggest it is collected via RKPR web only
Phone #	Phone number	Standard – optional at onboarding
Email Address	Email address	Standard – optional at onboarding
E-Delivery Election	Election to opt in/out of electronic communications from provider	Recommended “default-in” with “opt-out” option through provider

# State IRA Capabilities Matrix

Business Strategy & Operating Model						
Organizational Effectiveness						
Program Management & State Relations	Product & Service Management	Marketing	Employer Admin and Servicing	Program Individual Servicing	Operations	Custodian & Compliance
Market Research/Competitive Intelligence	Product Design and Features	Advertising & Public Relations	Employer Onboarding	Oversee Daily Individual Service	Individual account set up	IRA contribution refunds and recharacterizations
Program Strategy (Pricing and Services)	Customer Experience & Engagement	Program Communications (ER/Individual)	Employer Payroll Setup	Individual Retention & Satisfaction	Data Management, Payroll Processing & Funding	Custody and Acceptance of Assets
State Sales	Offer Mgmt. – e.g., Product Offering	Campaign Strategy & Management (ER/Individual)	Employer Support and Service	Individual Web / E-channels	Individual Transaction Processing & QC	Complex Life Event Processing
Ongoing State Relations	Product Rollout & Adoption	Lifetime Engagement	Employer Web / E-channels	Individual Call Center	IRA rollovers/TOA's in and out	Trustee to Records Reconciliation
Product Implementation	Product Performance & Metrics		Education & Guidance	Individual Communications & Statements	Account Adjustments & Problem Resolution	Regulatory Oversight & Compliance
State Level Performance & Metrics	Web Portal Design & Maintenance			Education & Guidance		Tax Withholding & Reporting
Program Alerts & Notifications	Guidance & Planning Tools					Disclosures & Regulatory Notifications
	Vendor/Partner Relationship Management					

**LEGEND**

- Not Critical
- Needed, but low volume or complexity
- Important, not critical (potential cost or scale implications)
- Capabilities critical to program execution

Technology
Business Performance Management
Process Excellence
Change Management & Training