OREGON RETIREMENT SAVINGS BOARD

Plan Design Proposal - DRAFT

BASIC DESIGN

		Proposed Option	Comments
1	Default contribution rate	5% for new enrollees	
2	Other payroll contribution options	Participant can choose any increment of 1%	
3	Escalation	Annual auto-escalation 1% per year capped at 10%.	Participant can opt out of auto-escalation without opting out of program altogether
4	Employee changes	Participant can opt out or change contribution rate any time.	Employer will need reasonable period to implement changes.
5	Employer phase-in	Employers will be phased in, beginning with the largest.	See below for details.
6	Eligible employees	Age 18 and over, employed (W-2 income) in Oregon by a participating employer. No minimum number of hours. Must have SSN/TIN.	Eligibility determined by place of employment, not employer's location.
7	Account type	Roth IRA; possible option of traditional IRA	Participant is responsible for complying with IRS income limits for Roth
8	Investments – default	Age-appropriate target date fund.	Look for low fees, relatively conservative glide path
9	Investments – other choices	Stable value ("safety") fund and stock-index ("growth") fund. Participant can also select a different-date TDF.	May want to add other choices later, e.g. socially responsible or "green" option.

		Proposed Option	Comments
10	Changing investment choices	Participant can change investment choices at any time subject to standard industry limits on frequency	
11	Withdrawals	Withdrawals allowed as permitted by tax law.	Provide projection showing withdrawal's impact on retirement as part of withdrawal request process

ADDITIONAL ESSENTIAL ELEMENTS

		Proposed Option	Comments
12	Escalation - mechanism	To reduce employer burden, annual auto-escalation on fixed date (Jan. 1? or July 1?) for everyone enrolled at least six months (i.e. enrolling July 1 or after means no escalation until following year).	Auto-escalation would not begin until 1/1/19 because initial participants will not have been enrolled for six months by 1/1/18. Also consider delaying auto-escalation until 1/1/20.
13	Contribution rate for new job or second job	Highly desirable to have participant stay at escalated rate when changing jobs or adding second job.	Reducing contributions back to the initial default rate upon a job change will significantly decrease savings.
14	If participant has two jobs, can rate be different?	Options: (1) Rate is the same for second job, participant can't pick separate rates, for each job. (2) Participant can pick different rates for each job, including opting out at one employer.	Do multiple rates add program complexity?
15	Minimum contribution amount	Should there be a minimum contribution amount? Example: employee works 5 hrs/wk @ $10/hr, paid weekly. Gross pay $50, contribution rate 1%. Should plan accept contribution of 50¢/week? Or should we set minimum, e.g. $5 per paycheck?	Part-time employees may work several jobs, so per-employer minimum may prevent accumulation. Who would be excluded by $5 minimum?
16	Opting out – initial enrollment	Employee should have 30-45 days to opt out prior to payroll deductions beginning.	

		Proposed Option	Comments
17	Opting out – initial holding period for funds	Desirable to place contributions in a non-risk investment for initial 60-90 days to facilitate return if employee opts out.	
18	Enrollment after initial opt-out	Employee can opt in any time after an initial opt-out. May be periodic statewide marketing campaign to encourage opting in.	Note, if employee switches jobs, employee will be auto-enrolled at new employer – issue here is when employee stays at same job
19	Employer definition	Definition similar to FUTA, i.e. had employees during at least 20 weeks/year or paid wages of at least $1500 per quarter.	Will need more technical work.
20	Employer "qualified plan" exemption	May need legislative clarification re employer who offers a qualified plan, but plan does not cover all employees. If included, plan on phasing in these employers last (1/1/19) to allow for consideration during 2018 legislative session	Distinguish between employees not covered due to waiting period vs employees who will never be covered (e.g. part-time workers)
21	What is a "qualified plan"?	Qualified under sections 401(a), 401(k), 403(a), 403(b), 408(k), 408(p) or 457(b) of the Internal Revenue Code.	These are the types of plans specified in our authorizing legislation
22	Employer phase-in	Example of possible phase-in schedule: 7/1/17: Employers with 100+ employees, no qual. plan 1/1/18: Employers with 10+ employees who use payroll service, no qual. plan 7/1/18: Employers with 10 or fewer employees, no payroll service, no qual. plan 1/1/19: Employers with qual. plan not covering all employees (if included; see issue above)	Other combinations of size and payroll provider could also be used. May want to break up phases further, to start with a small number of employers as pilot and spread out enrollments.
23	Account type	Default is Roth IRA, but would be desirable to offer traditional IRA as option	
24	Inactive accounts	No automatic termination of inactive accounts, even if very small.	Federal legislation might address this issue

FUTURE ENHANCEMENTS

		Proposed Option	Comments
25	Withdrawals – at retirement	Consider full or partial annuitization options	
26	Voluntary participation by 1099 workers (non-employees)	Allow voluntary participation by 1099 workers	Need to confirm consistency with ERISA safe harbor.
27	Voluntary participation by others	If employers offering qualified plan are completely exempt, allow voluntary participation by employees ineligible for qual. plan (e.g. part-time employees)	Possible later addition based on resolution of issue re employers with qualified plans. Need to confirm consistency with ERISA safe harbor.
28	Rollovers and lump sum contributions	The plan should accept (1) rollovers and (2) lump sum contributions from participants (subject to IRS limits)	Need to confirm consistency with ERISA safe harbor.