



Program Design Recommendations Presentation Oregon Retirement Savings Board

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Outline of Today's Presentation

- Program Design Analysis
- Program Overview
 - Roles of Parties
 - Key Activities Summary
 - Recommended Operational Model
 - Experience (Activity) Overviews
 - » Employer Onboarding
 - » Employee Enrollment
 - » Money In
 - » Money Out
 - Process Map of Recommended Operational Model
 - Industry Marketplace Capabilities Assessment
- Recommendations
- Supporting Documentation

Program Design Effort

As outlined at our initial meeting, Program Design deliverables were

- High level operating model
- Matrix comparing key operating model features
- Operational flows for key transactions
- Recordkeeper services:
 - Required capabilities
 - Comparison of types of industry providers including comparative strengths and potential gaps
- Recommendations for the outreach requirements to assure a positive
 - Employer (ER) experience
 - Employee or Participant (EE) experience
- Recommendations for enforcement of the ER mandate and flow of contributions to the recordkeeper (RKPR)

Program Design Effort

- In considering options, identifying issues and making recommendations, we focused on the following guiding principals
 - Maximize simplicity and minimize administrative costs
 - Minimize ER cost and burden while managing as many required activities at the source as possible
 - Promote administrative efficiency by reducing variability
 - Maximize “customer” experience and use of technology while minimizing low-value person to person interactions
 - Consider new solutions as by definition, the ORSP necessitates a hybrid of retail and institutional capabilities
 - Maximize positive outcomes through recognition of set-up and implementation effort and flexibility during the service procurement (RFP) process(es)

- In conducting our analysis, we
 - Considered HB 2960
 - Drew on our experience in the areas of retirement administrative services including in the area of payroll IRA Programs
 - Participated in plan and Program design working group meetings as well as meetings with various agencies
 - Considered information and findings from Boston College’s market analysis

The ORSP Provides for Funding IRAs by Payroll Deductions

- In order to properly inform the Program and operating model design, it is important to establish a high-level baseline understanding of the Program around which all interested parties can align. While the Program may adopt many “plan-like” features or to administratively deliver on the desired outcomes and objectives of the Program, the accounts will be IRAs.

What ORSP is...

- **A mandate for establishing Individual Retirement Accounts (IRAs) for individuals not covered by a workplace retirement plan**
 - Accounts owned & controlled by the individual
 - Individual opt out (of participation) at any time
 - Subject to all rules applicable to IRAs
- **A mechanism for funding the IRAs through deductions from an individual’s paycheck, each pay period**
 - Funded by the individual with their own money but facilitated by the ER or their payroll delegate

What ORSP is not...

- **A Defined Contribution Plan**
 - Not subject to ERISA
 - No ER contributions (i.e., “match”)
 - **Accounts controlled by an ER(s) or the state**
 - All monies deducted from an individual’s paycheck for the purpose of contributing to their IRA established in connection with the ORSP must be deposited to the intended IRA
 - Once monies have been remitted to the RKPR and deposited into the IRA, the individual is the only party authorized to access or direct account activities

While IRAs, certain Program elements are uncommon to most IRA products and therefore add additional complexity



ERs

IRA accounts do not account for, nor associate individuals with, specific ERs



Deferral Percentages

Individually controlled, IRA contribution amounts are directed at the source



Payroll Files

\$ are individually remitted—“ledger” contribution concept not applicable to IRAs

How the ORSP solves for these 3 key design elements will drive Program costs and customer experience.

Roles of the Parties – Contributing to Success

State of Oregon

- Notify ERs of Program and requirement criteria
- Define and communicate:
 - Which ERs
 - When to join
 - Definition of EE
- Set expectations for compliance with the mandate and impact of non-compliance (enforcement)
- Provide Program oversight to ensure ER compliance
- Provide EE advocates to support potential ER complaints
- Hire RKPR and investment manager partners that will best meet the needs of all parties at a reasonable cost

ERs

- Register for the ORSP via prescribed process/channels
- Register EEs as prescribed
- Deliver Program materials (possible one page document with reference to web tool) to newly eligible employees
- Notify ER of any decision to change the amount that is deducted from their paycheck (including election to opt out of contributing to the Program)
- Once account is established, access and maintain their ORSP account with the RKPR

EEs

- Collect any EE elections to effect changes to contribution %'s
- Maintain elections in the EE file
- Deduct the amount required or elected from the EE's paycheck
- Remit those deductions to the RKPR in a timely manner for deposit in account
- Ensure any changes to their Address of Record (AOR) are shared with the RKPR
- Establish desired beneficiaries
- Manage ongoing contribution allocations (funds to invest in) as available

RKPRs

- Deliver tools that support the needs of each party
- Provide efficient and intuitive process to support the simple and low-cost design of the Program
- Effectively communicate with each party throughout the lifecycle of the Program, as needed
- Ensure transparency into the successes and failures of the Program to drive continuous improvement

While the ORSP provides a model that is already thought out for the ER and their EEs, complete with defaults and full feature definitions offering broad benefits and efficiencies, each party has a role to play.

ORSP “Journey Overview”

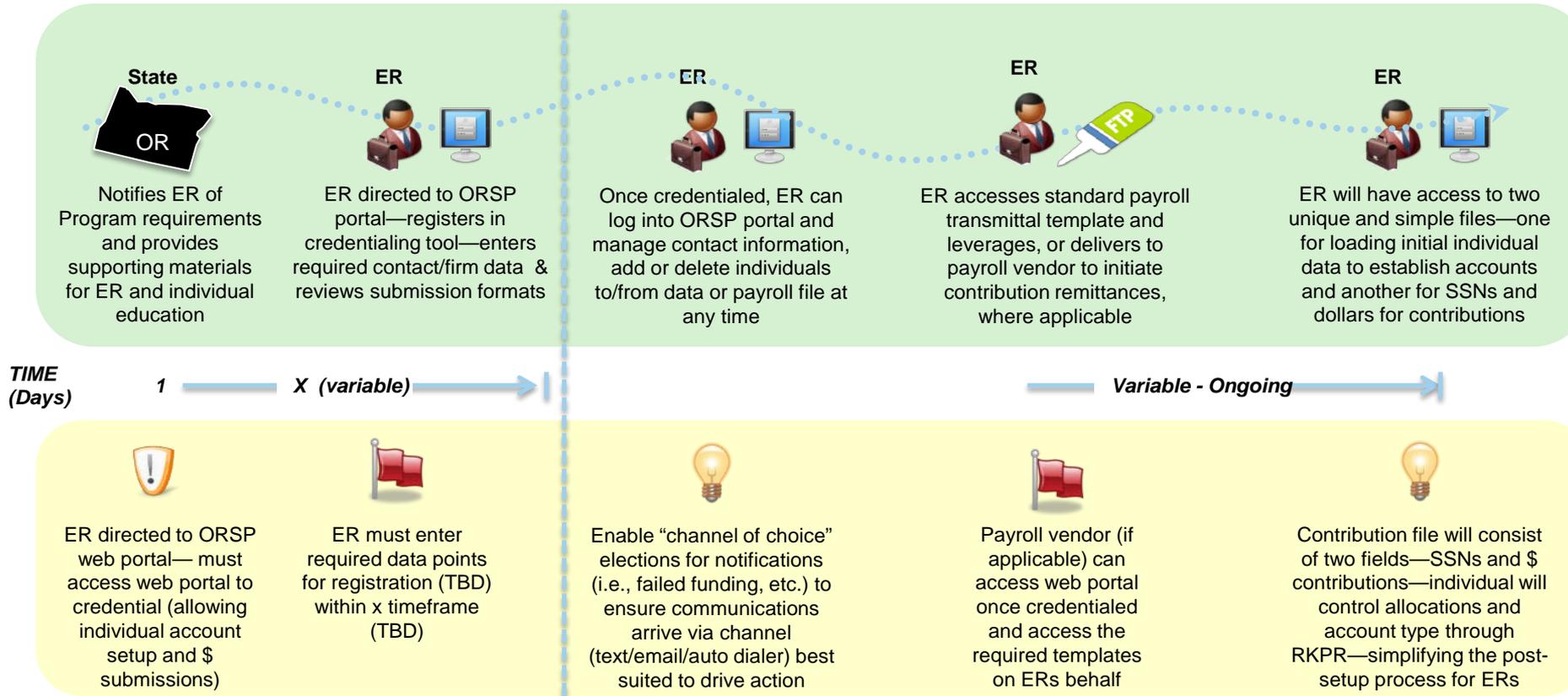
	ER On-Boarding	Individual Enrollment	Money In (Payroll Contributions)	Servicing	Life Event Processing	Money Out (Distributions)
1	OR notifies impacted ERs of mandated obligations and provides Program information to all, including instructions for portal use, during initial rollout and beyond	ER provides Program information to all EEs, 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 required 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 EEs 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 and 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 ERs and EEs added	EE can visit website 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

ER Employer
 EE Employee/Individual Account Owner
 RKPR Recordkeeper
 OR State of Oregon

Employer Onboarding – Recommended Process

Context Notes:

- Employer is provided instructions, guidance and program materials from Oregon



Represents Customer Handoffs



Requires customer to take next step to continue process



Process Opportunity

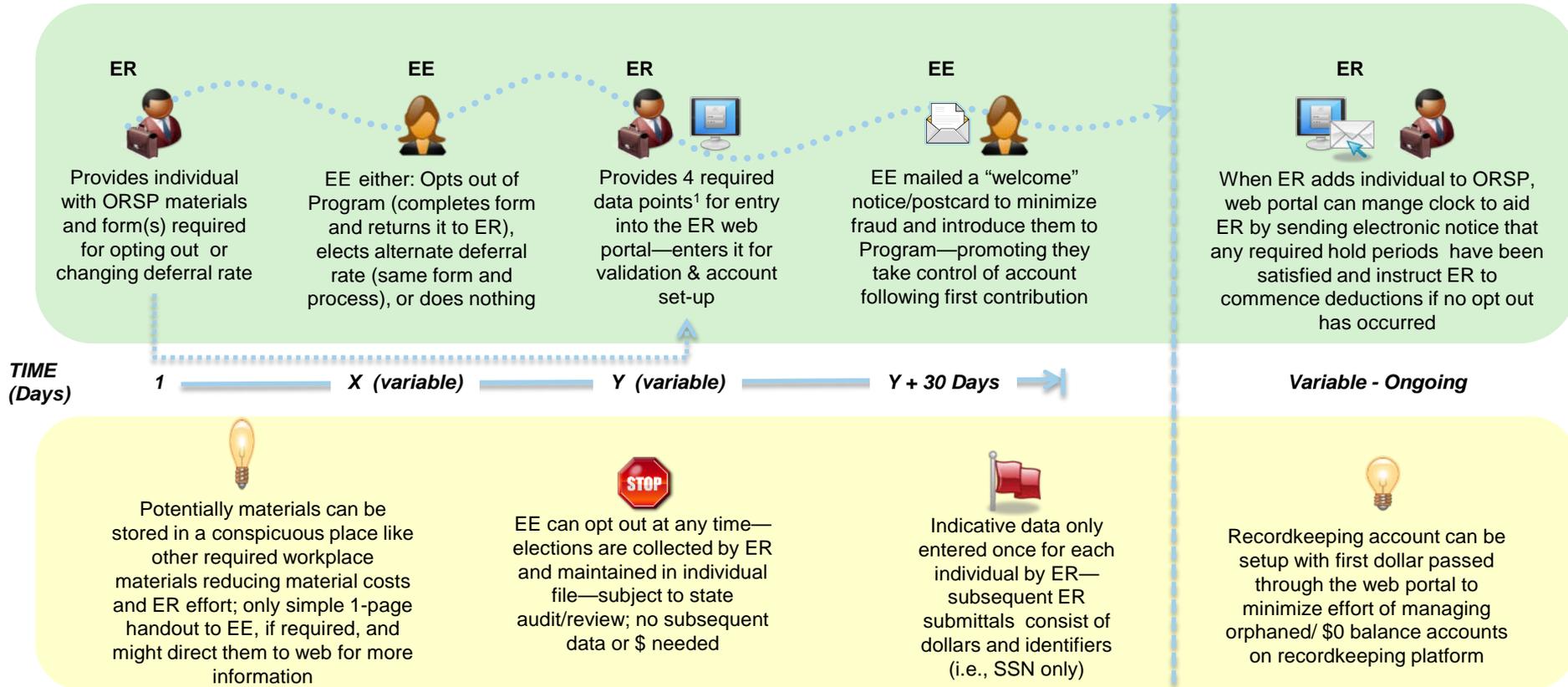


Process Delay/Stoppage

Employee Enrollment – Recommended Process

Context Notes:

- Covered employees have been defined, and expectations of employer has been effectively communicated, by Oregon



Represents Customer Handoffs



Requires customer to take next step to continue process



Process Opportunity



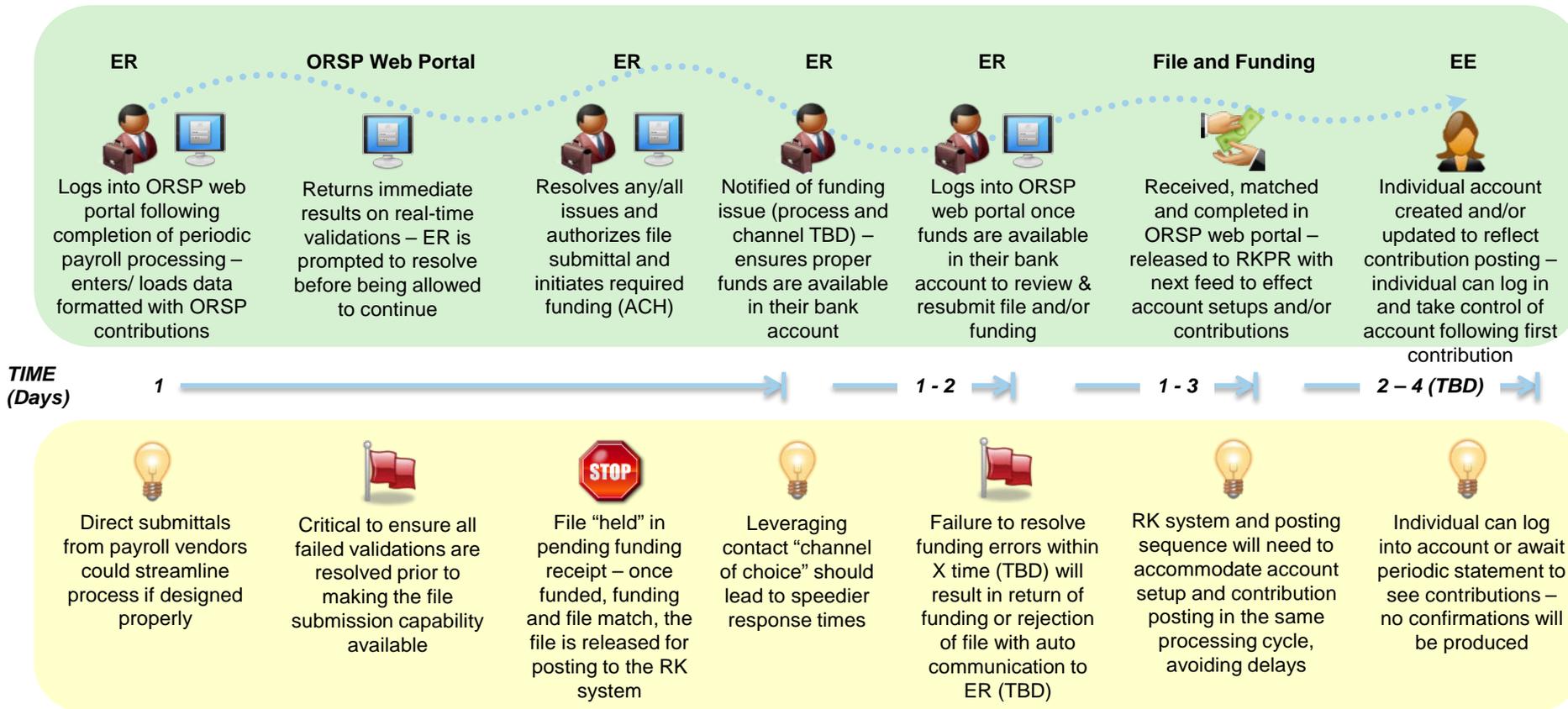
Process Delay/Stoppage

¹ See IRA Account Data Requirements for prescribed data points

Money In – Recommended Process

Context Notes:

- Individual was entered into ORSP portal and any required holds have been satisfied – deductions have been effected from individual payroll proceeds



Represents Customer Handoffs



Requires customer to take next step to continue process



Process Opportunity

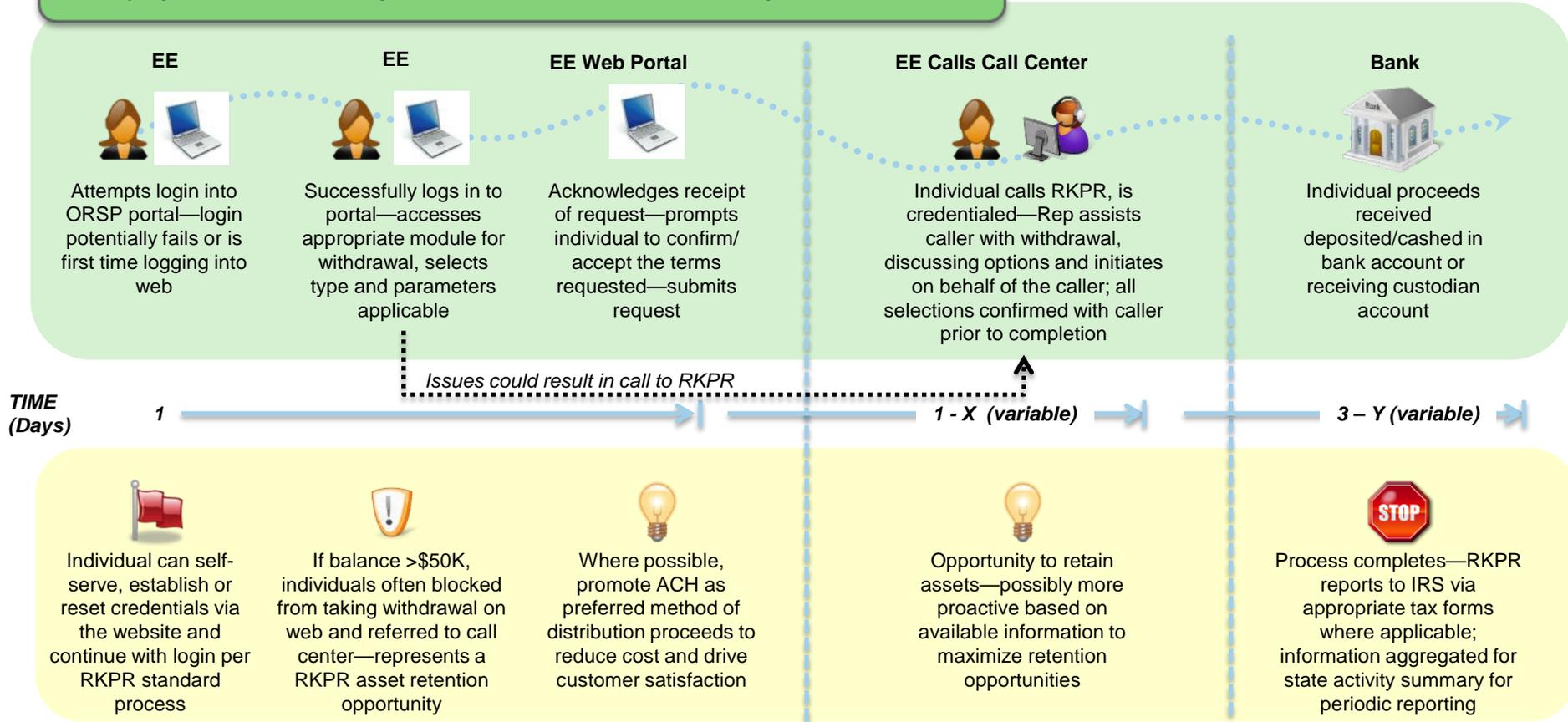


Process Delay/Stoppage

Money Out – Recommended Process

Context Notes:

- Employee has decided they wish to withdraw – could be for any reason



Represents Customer Handoffs



Requires customer to take next step to continue process



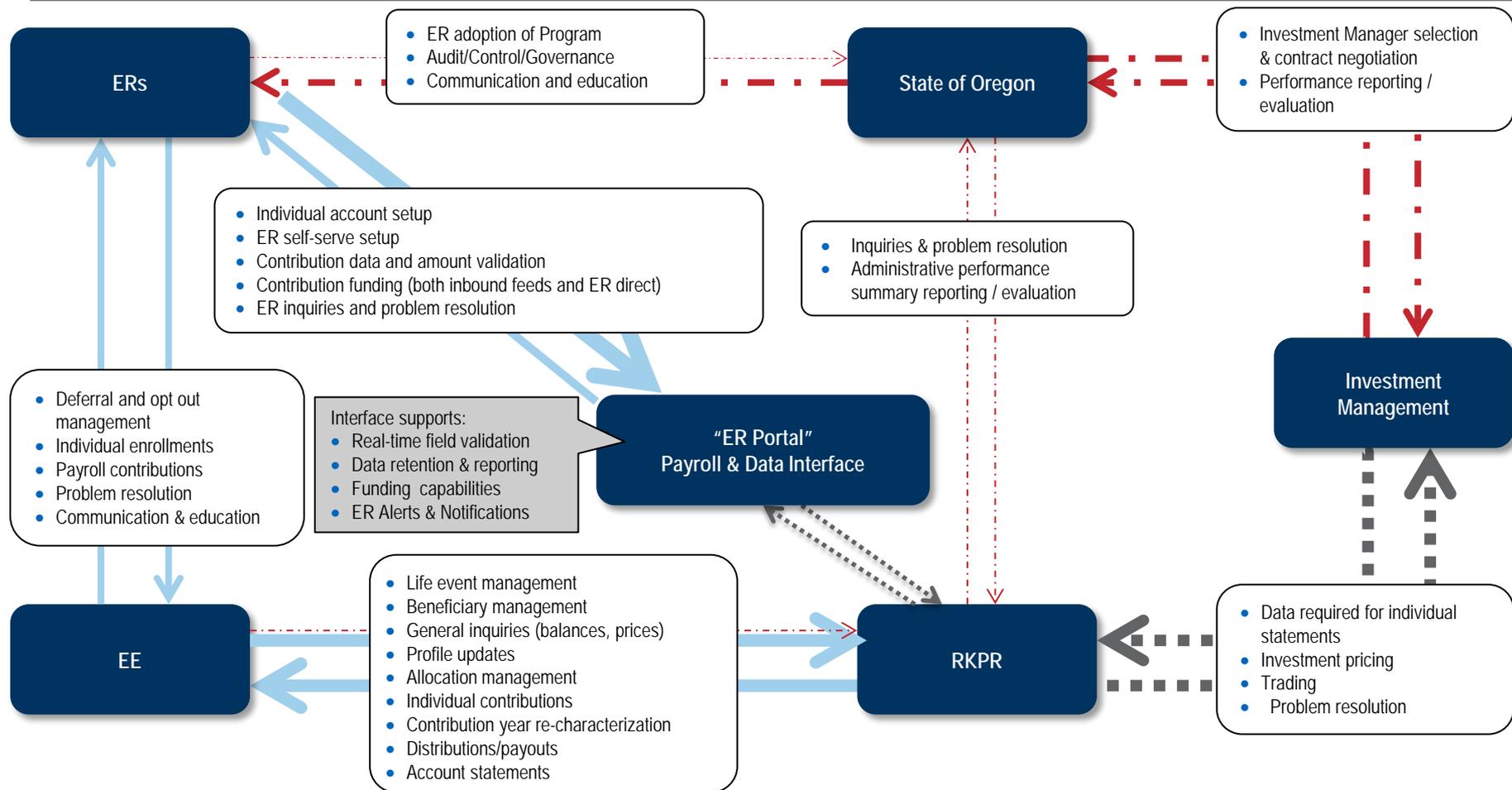
Process Opportunity



Process Delay/Stoppage

Recommended 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 thousands of ERs, 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 ER web portal. This portal would offer robust capabilities to ERs but also support the validation and aggregation of transmittals to the RKPR.

The Industry Offers Many of the Required Solutions Today

- Enabling a cost effective Program will require scalable and intuitive solutions to aid ERs and EEs in performing required and desired Program activities. The good news for the ORSP is that much of what is required to support the recommended model is employed today.
- Where the ORSP will potentially leverage solutions which may be available to either the IRA or Defined Contribution Plan environments, enhancements may still be required to integrate and those efforts will vary from provider to provider.

Requirement Category	Requirements Summary	Estimated Availability
ER Web Portal	Data validations to assist ERs and minimize downstream errors and rework	High
	Automated Alerts and notifications to aid ERs in meeting their Program obligations	High
	Ability to enter, remit and fund payroll contribution “files,” self service or delegate	High
	Store and present multi-media educational tools and house administrative forms for use by ERs	High
	Ability for ER to assign and manage delegate access, as needed, self service	Medium
	Ability for ER to manage their roster of employed individuals, self service	Medium
	Intuitive, user-friendly web site supporting self-service registration by ERs	Low
Individual Web Portal	Intuitive and user friendly web portal for individual account owners	High
	Offering multi-media financial and Program educational and modelling tools	High
	Transaction capability allowing individual to manage all aspects of account outside of payroll deferral amounts	High
	Storage of, and access to, historical account statements and relevant tax forms	High
	Web portal must be mobile optimized (or offer a native app companion)	High

Detailed perspectives contained within the *Appendix*.

Key Program Recommendations

- Consideration should be given to the long-term funding and break-even point for the Program
- The recommended operating model be implemented to keep
 - Program costs reasonable
 - Activity at the source
- The initial rollout be completed through a gradual, phase-in process
- The procurement process be conducted in a flexible manner to enable
 - A thorough evaluation of a variety of potential solutions for addressing start-up and implementation costs, including systems and technologies builds
 - The retention of the optimal mix of services and cost
 - The ability to evaluate the cost/benefit of various design and operation variables such as whether to have an initial stable value or fixed holding account for an initial period before the account is swept to the default (target date fund)
- The operational model should use an on-line registration and onboarding process and provide contribution process support assistance
- EE activities should be electronic when possible and provide a website to support changes to investment elections, address updates and beneficiary designations

Key Program Recommendations *[cont....]*

- The auto-enrollment process should be structured simply and that EEs receive a “welcome notice” to reduce fraud and introduce the EE to the RKPR
- No restrictions apply for EEs who want to stop contributing other than a reasonable period to give the ER time to process the change
- No restrictions on ability to opt out except for a processing period to give the ER time to process the change
- No restrictions on ability to elect to make contributions except for a processing period to give the ER time to process the change
- Enforcement process should include:
 - A mandate certification process incorporated in registration/onboarding process
 - An audit process
 - An ombudsman or similar process for EEs to report ER non-compliance, particularly regarding timely transmission of contributions and the incorporation “whistle-blower” protections in final legislation
 - Consequences for non-compliance to be considered in final legislation

2nd Generation Issues - Delay to Improve Rollout

- There is a short timeline to implement a type of Program that is not in existence today and needs to be rolled out to a large number of ERs
- To improve success and to allow for development of features that are not initially as critical, we recommend certain features be “2nd Generation” – planned for but not incorporated in initial Program implementation effort *
 - Auto-escalation
 - Expanded investment lineup
 - Annuitization features
 - Voluntary participation
 - Whether ERs that are not required to participate in the plan can make the plan available to their EEs
 - Allowing non-payroll contributions to plan accounts
 - » EEs who already have or had an account established as the result of being a participant through an ER covered by the Program
 - » EEs who have not been in covered employment
 - Auto re-enrollment of EEs who are not participating, i.e., opted out, stopped contributions or are not contributing the minimum amount
 - Escheating small, inactive and un-locatable accounts to State

** The items listed should be described in RFP for service provider(s) and may warrant being included as future services (with associated pricing) in the contract that results from the RFP process*