Oregon Retirement Savings Board
MINUTES
June 7, 2016

Board members present:
Chair, Treasurer Ted Wheeler
Kara Backus
Senator Lee Beyer
Kevin Jensen
Representative Tobias Read
Juanita Santana
Cory Streisinger

Oregon State Treasury staff present:
Lisa Massena, Executive Director, ORSP
Kristin Dennis, Senior Policy Advisor
Tom Rinehart, Chief of Staff
Tim Sayre, Project Manager
Missy Simpson, Executive Assistant
James Sinks, Communications Director

ORSP Service Providers present:
Anek Belbase, Senior Research Project Manager, Boston College
Wendy Carter, VP, Senior Consultant, Segal Group
Joe Olivier, Consultant, BridgePoint
Geoffrey Sanzenbacher, Research Economist, Boston College

The Oregon Retirement Savings Board meeting was called to order at 9:04 am by Treasurer Ted Wheeler, Chair.

Agenda Item 1 – Approval of the minutes of the May 5, 2016 meeting of the Oregon Retirement Savings Board (ACTION ITEM)

Board Action
Motion to approve the minutes of the May 5, 2016 meeting of the Oregon Retirement Savings Board.

MOTION:	Kevin Jensen	SECONDED:	Ted Wheeler
ACTION	Motion Passes		

Agenda Item 2 – Plan Update: (INFORMATION ITEM)

Lisa Massena recapped second quarter activities and milestones the Oregon Retirement Savings Plan, providing a preview of third quarter targets and focus.

- Completed 12 of the 16 scheduled working group sessions.
- Focus has been on plan design, program design and financial literacy; starting some work with the outreach working group.
- Much work has been done by the plan's service providers (market analysis, feasibility, program design), with completion of work efforts by the providers and the provision of information to the Board and public for consideration expected July 19.
- The General Consultant RFP has been posted and should close in June, with a decision made and the provider on board by late July, pending Board confirmation.
- The Plan Service Provider RFP is expected to be issued in the third quarter, targeted for early September.

Ms. Massena presented the Board with a two-page Rulemaking Process and Timeline, and explained how the rulemaking process would fit together with the Board process. At the next Board meeting on July 19th, there will be a continuation of the rulemaking process with more detail that will include the financial feasibility analysis, and a final report on the program design and market analysis.

The third quarter will include work by Treasury staff and the Rulemaking Advisory Committee to create, review and prepare the draft rules for Board review and approval. The target for finalizing the rules and publishing them to the Secretary of the State is January of 2017.

Agenda Item 3 – Interim Report on Market Analysis: (INFORMATION ITEM)

Geoff Sanzenbacher presented the board with an update on the market analysis and the interim report, along with some data on plan design. The focus was on the different employee groups that are not covered in Oregon for several reasons: employer doesn't offer a retirement plan, employer offers a plan but employee is not included because they are part-time or low tenure, or in an occupation that does not have coverage. Mr. Sanzenbacher explained how those groups differ which will form how the ORSP may market the retirement plan and target its rollout. The CRR provided a recap to the Board of preliminary data received from employer survey and interviews regarding their sentiment toward the plan and the potential cost to them as employers. Mr. Sanzenbacher also presented data that supports specific plan design features the Board may want to discuss during the Straw Person model. A full copy of the interim report has been made available online at [xxx].

Agenda Item 4 – Interim Report on Program Design: (INFORMATIONAL ITEM)

Wendy Carter with Segal, and Joe Olivier with BridgePoint presented the Interim report on Program Design. Ms. Carter commented on the value of the working groups, their information, exchange and how the dialogue was beneficial, and instead of having two alternative diagrams, there are now 2.5 because of the working group information. The first diagram was where the design started, followed by a working group diagram, and a hybrid model that captures the best of both.

Joe Olivier presented each of the models to the Board, and talked about how the three models had the same components and players, but the visualizations were different because of the work that had been done through the working group sessions. The models were formed by three key pieces, work done

with other states, information from industry providers, and input from participants in the working group sessions. A full copy of the presentation has been made available online, as above.

PUBLIC COMMENT:

James Russell who teaches at Portland State in Public Policy and has studied defined benefit and defined contribution plans, shared with the Board his involvement with the Connecticut Retirement Security Board and had comments based on his experience. Mr. Russell would like to see the program use professional investing and not leave it up to people to choose among a number of options – and recognizes this is part of current ORSP proposed approach. Mr. Russell also commented on distribution strategies at retirement, suggesting the use of annuitization and, to reduce costs related to commission and other expenses of private insurers that there be an investigation into the possibility of setting up a public captive insurance company to release annuities on an at-cost basis.

Carmen Madrid, representing MESO, Micro Enterprise Services of Oregon, as well as a community advocates and working primarily in Washington County, gave her public comment with four main points:

1. Expand the employer survey to at least 150 employers to achieve a more statistically significant data sample, as well as a more qualitative data and breakdown in underserved communities that may not be represented in this data, because those are the folks which will be most affected by the plan.
2. The state needs to carefully consider how programs affect one another. In regards to what is being taken out of payroll, including health insurance, another 5% would significantly impact these communities. $200 a month may take away their ability to pay their premium on health insurance.
3. The outreach strategy needs to reach the folks that are going to be affected by the retirement plan, including underrepresented cultural communities and folks that have different abilities within our realm, like the veteran community.
4. Operationally, from a small business standpoint, it is important to recognize how we would be able to implement this in a very cost effective and simple manner because this plan is coming under the Cover Oregon shadow and people will recognize this.

David Marshall, with Robert W. Baird, a qualified plan consultant, wanted clarification on the Boston College presentation regarding covered employees under a qualified plan if that plan is a profit sharing plan and not a payroll deduction plan. Geoff Sanzenbacher answered, stating employees will say they are covered by a plan at work if they were in one of those plans.

Richard Schwartz, retired Executive Director of AFT-Oregon who was vice chair of the Oregon Retirement Savings Task Force gave public comment and asked the Board to not limit itself to whole numbers in regards to the contribution rates and increment escalation rates if the use of smaller increments would encourage more participation. He also commented that there is a large segment of public workers that are not covered by pension programs that are available in the public sector – estimating that of about 240,000 public sector workers and about 165,000 that are covered, somewhere in the neighborhood of 70,000 are uncovered by a pension plan and fit into this category. He further commented that considering trends in education, in particular, higher education, there is a growing population of Oregon faculty, teaching assistants, graduate teaching assistants, graduate teaching of fellows, who are specifically excluded from public sector pension plans, and that this population may offer some additional participants in the search for employers and employer data.

Agenda Item 5 – Plan Design Straw Model – Board Discussion: (INFORMATION ITEM)

Cory Streisinger presented the Plan Design Straw Model, as developed with the support and discussion of the Plan Design Working Group, for Board discussion. The intent of this presentation was confirmation or discussion of differences in thinking about the conceptual direction of the straw model, which included the following preferred characteristics. Key comments from the presentation and discussion captured in italics, below, and edited for brevity; speaker indicated when other than the presenter:

1. Default Contribution Rate – 5% for new enrollees. *Discussion focused on importance of income replacement for savers: auto escalation is important, initial default contribution rate is important and even more important if for some reason we can't do auto escalation. Consideration given to the public comment on lower income savers: there is no perfect answer; for people who truly cannot afford to save for retirement, part of the education process need to be that opting out is an option for them.*
2. Other payroll contribution options – Increment of 1% - *Consideration given to public comment on whole percentages: In terms of whether we should allow any percentage or whether we should be dealing with whole number increments, one of the pieces of advice we have gotten is simple is best.*
3. Escalation - Annual auto-escalation 1% per year on January 1, for everyone enrolled at least six months. Auto-escalation capped at 10%. *Auto escalation - you can see the difference that it makes in terms of replacement rate and so the working group recommendation was to try to do auto escalation if we can. The proposal is to actually set it up in a way that has auto escalation not starting until 2019.*
4. Escalation- Opting out – Participant can opt out of auto-escalation without opting out of the program altogether.
5. Contribution rate for new job or second job – Participant stays at escalated rate when changing jobs or adding second job. *If someone changes jobs every two years, then they are never going to get to these higher savings levels, so from a program desirability standpoint, the workgroup discussion was it would be desirable to have the rate travel with the employee*
6. If participant has two jobs, can rate be different – 2 options: 1. Rate is the same for each job, 2. Participant can pick different rates for each job, including opting out at one employer. *(Wheeler) If I had a hierarchy of preferences number 1 is that we get people who are not saving for retirement enrolled in the plan and they start saving for retirement. Right parallel with that or slightly beneath that is making it as easy and cost effective as possible. There is simplicity in getting people in the door which is a huge win. And frankly, it's my hope that someday because this really is a low threshold plan, they actually go into a different plan with a match and have a greater chance at getting to that replacement rate than we are ever going to be able to offer through this plan. What I don't want to do is make it so complex that we run the risk of potentially screwing up on the implementation. (All) Further discussion ensued on logistics and relative priority of auto-escalation.*
7. Minimum contribution rate – Needs more discussion. *(All) discussion focused on technical capabilities considerations associated with combining contributions from a multiple employers into a single employee account.*
8. Opting out – initial enrollment – Employees will have 30-45 days to opt out prior to payroll deductions beginning. *Discussion focused on balancing notification and the simplicity of not establishing accounts for workers who left employment quickly, with a reduction in net pay that*

could become more impactful once an employee had become accustomed to a certain level of compensation.

9. Opting out – initial holding period for funds – Needs discussion. *(All) Agreement on a capital preservation approach during the holding or refund period.*
10. Opting out – after participation begins – General consensus is anytime. *One comment we got back from our program design consultant was that actually having it be any time would mean they're spread out and that's easier to manage than if you were to say, oh, it's once a year and all the changes would come in at the same time.*
11. Changes to contribution rate – Anytime. *As above.*
12. Enrollment after initial opt-out – Encouraged to opt-in during open enrollment. *If we don't have a second auto-enrollment period, then it is really up to the ORSP to promote enrollments in the future for people who have opted out at a point in time; reference to NEST UK intent to re-enroll opt-out participants on a cyclical basis.*
13. Employer definition –Statute does not define employer. *There are a number of different definitions in Oregon law today for different purposes. Intent to use an existing one employers are familiar with, such as the unemployment insurance definition Further discussion of the types of workers who could be excluded by this definition and whether that fit the intent of the ORSP.*
14. Employer qualified plan exemption – *Discussion of definition: Employer who offers qualified plan is exempt, even if plan doesn't cover all employees, or Employer must participate with respect to employees not covered by a qualfied plan. Today about 200,000 Oregonians work for an employer who offers a plan, but not to them. Further comment that this may need Legislative clarification.*
15. What is a qualified plan? – *The sections stated under the IRC code in the bill were confirmed by Kara Backus to be qualified plans. Further discussion about whether non-qualified plans offered by employers could also become part of the exemption definition.*
16. Employer phase-in – *Start with a small number of larger employers and capture a large number of employees.*
17. Eligible employees – Anyone employed in Oregon by a participating employer and based on where the work is being done, not necessarily where employer is located. – *Intended concept is something like W-2 income earned in the state.*
18. Employee citizenship status – Employee must have a social security number or tax ID number.
19. Account type – Default is Roth IRA and participant may opt for traditional IRA instead. – *Discussion focused on features of both types of IRAs for the target population and whether offering a Roth as default and Traditional as an electable alternative would add more complexity than desired; some workers will not be eligible for Roth contributions based on income.*
20. Investments – default – Age-appropriate target date fund. – *Agreement.*
21. Investments / other choices – Stable value fund and stock-index fund. – *Comment that the plan, while remaining very simple, should offer a very short menu of choices.*
22. Changing investment choices – Participant can change investment choices at any time. – *As with any other IRA, through the provider.*
23. Withdrawals – pre-retirement – Withdrawals allowed – *DOL guidelines say the Plan cannot restrict withdrawals.*
24. Withdrawals – at retirement – *For decision at a later date whether annuities or other forms of withdrawal and retirement income options should be offered.*
25. Voluntary participation by 1099 workers – allow – *This can be added after the Plan goes live; we need to know from a program standpoint what this does in terms of complexity. Then we need to think about how people enroll because they are not enrolled through their payroll process.*
26. Voluntary participation by others – allow – *As above.*

27. Rollovers and lump sum contributions – *Need to check and see if it is feasible.*
28. Inactive accounts – Do not terminate. – *From discussion with Program working group and based on input from the provider community to date.*

Information from this discussion will be used to advance the Straw Model to a Proposed Plan Design for Board review.

The next meeting will be on July 19, 2016.

ADJOURNED at 11:45