

OREGONSAVES
ANNUAL REPORT
TO THE LEGISLATURE

2018

oregon.gov/retire



Oregon
Retirement
Savings
Board

Oregon
State
Treasury



MT. ASHLAND SKI AREA

Joined OregonSaves in October 2017

"We have great benefits here in that we give you free skiing and other things; that doesn't help you to retire. We need to start encouraging people to save. I mean, there's too many people that are racking up credit card debt, not saving for the future and its our children that are going to bear that. We're incredibly stoked that we had an opportunity to give something back to our employees. They were definitely excited about yet another thing we can provide that benefits them."

— Hiram Towle, General Manager
Mt. Ashland Ski Area

On the cover:
Carlton Bakery became an OregonSaves facilitating employer in August 2018. Employee Iain Danicic was among the first to become a saver.



OREGONSAVES

MESSAGE FROM THE STATE TREASURER

Tobias Read



Dear Oregonians:

This year, for the first time, tens of thousands of Oregon workers were empowered to begin saving for a better financial future—for themselves and for their families. OregonSaves, which launched in November 2017 after a pilot phase, is the nation's first state-based auto-enrollment IRA, enabling all Oregonians to contribute towards retirement via easy payroll deductions or directly from their bank account.

OregonSaves is already a success: In only a short time, the program has eclipsed \$10 million in savings by the first waves of participants, most of them first-time savers, and the total assets saved are climbing by more than \$1 million a month. The impressive growth rate of OregonSaves is attracting attention nationwide and other state governments, nonprofits, and researchers have expressed interest in echoing this success elsewhere.

Oregon lawmakers approved OregonSaves in 2015 to make a savings option available for the estimated 1 million Oregonians who lack access to a retirement savings option at their place of employment. That represents more than half the workforce. Findings from the AARP show that people are 15 times more likely to save when there's an option available at work.

OregonSaves makes saving easy. It is voluntary and workers can opt out at any time. In today's economy, people are more likely to work at different jobs during their career—or even multiple jobs at once. We made sure OregonSaves' Individual Retirement Accounts (IRAs) are portable, allowing them to take their retirement savings with them wherever they work and ensuring that whatever they save will always be their money and under their control.

Helping Oregon businesses, particularly small businesses, is a key goal of OregonSaves. Employers say it is easy to sign up workers, and the program is making them more competitive.

Here are some highlights from the first year of OregonSaves:

- The first two waves of employers have registered their workers. This accounts for companies with more than 50 employees, and 69,527 people. And more than 70 percent of enrolled people have elected to save, in line with projections.

- We have reduced fees for savers.
- We created significant efficiency through the consolidation of OregonSaves into the Oregon Savings Network, which administers defined contribution programs at the Oregon Treasury. Because of these administrative savings, OregonSaves will no longer need loans from the general fund to finance startup phase costs.
- We added the ability for workers to sign themselves up for OregonSaves, rather than waiting to be registered by an employer. This is a welcome development for those who work in the gig economy or for an employer who offers a savings option to some, but not all workers.
- We are leading the nation in the auto-enrollment IRA space, providing a strong example for other states and sharing key insights, particularly with our counterparts in Illinois and California, as they embark on launching their own state-based retirement savings programs.

In addition, the public overwhelmingly supports OregonSaves. Based on a recent public survey, the level of support has actually increased in the first year. Today, an astounding 82 percent of people support OregonSaves. They know it will improve savings and make Oregon better, today and in the long run.

Thank you for your interest in OregonSaves and the efforts of the Oregon Retirement Savings Board to expand savings options that improve the financial situation for workers, employers, taxpayers, and ultimately our long term economy. It's already a success story, and we are still just getting started.

TOBIAS READ
Chair, Retirement Savings Board



RETIREMENT SAVINGS BOARD

- State Treasurer Tobias Read, Beaverton, Chair
- Kara Backus, Portland, terms ends 2021
- Edward Brewington, Lake Oswego, term ends 2019
- Cory Streisinger, Portland, term ends 2019
- Sen. Lee Beyer, Springfield, term ends 2019
- Rep. Pam Marsh, Ashland, term ends 2019
- Jeff Anderson (not pictured), Keizer, term ends 2022

Staff, from left:

- Michael Parker, Executive Director, Oregon Savings Network
- Joel Metlen, Operations Director





NATURE'S PET MARKET

Joined OregonSaves in October 2017

"I know that young people don't even think about retirement age, it's not even in their consciousness. Well, it was really easy to set up. I just went onto the website that was created for OregonSaves and entered my employees information, and they really took it from there." [Referring to Stephanie] "I love the fact that she's saving, she's in her 20's and she doesn't know the gift that she's giving herself. I'm 73 years old, and I watched my parents run out of money. My biggest fear is running out of money myself as I get older, and so I jumped on the chance to help my employees. Even if it is a dollar a week, save something, because no one's going to live on Social Security alone."

— Terri Ellen, Owner
Nature's Pet Market, Salem

“ I didn't realize how fast it was going to add up, honestly, but when I got offered the OregonSaves program I just put 5% of my paycheck away every time into retirement ...”

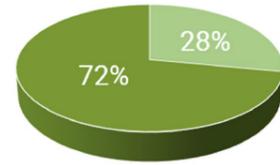
*Stephanie Whiteside, Groomer
Nature's Pet Market*

How does OregonSaves work? It's simple.

Employers register. Employees are auto-enrolled (unless they opt out). The standard saving rate is 5% of your gross salary and will start automatically within 30 days. If you're self-employed or work for an employer that doesn't facilitate the program, sign yourself up and save straight from your bank account.

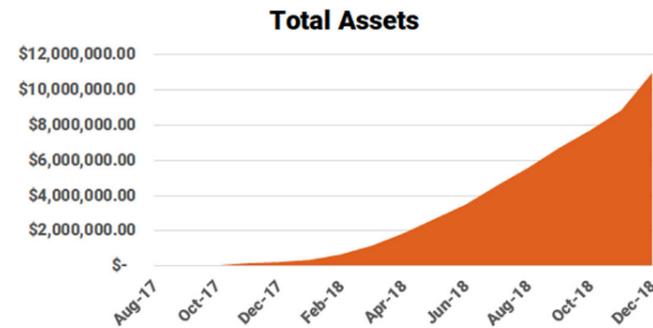


PROGRESS REPORT



More than 7 in 10 workers have elected to stay in OregonSaves

OREGONSAVES GROWTH



Work Hard, Save Easy. Individuals Welcomed to OregonSaves Retirement Program.

OregonSaves began with a pilot program in July 2017 and is expanding statewide in waves. Since the first wave of the program launched in November 2017, tens of thousands of workers—most of them first time savers—have set aside more than \$10 million towards retirement. Individual Oregonians also have the opportunity to join the ranks of the more than 50,000 employees that have already enrolled through a facilitating employer and are saving for their future retirement needs.

Oregon workers will continue to be enrolled automatically in OregonSaves if their employer facilitates the program. Oregon employers that do not offer an employer-sponsored retirement plan for their workers are joining the OregonSaves program in waves. The deadline for the third wave, for employers with 20 or more employees, arrived on December 15, 2018. The program will be fully implemented by the end of 2020.

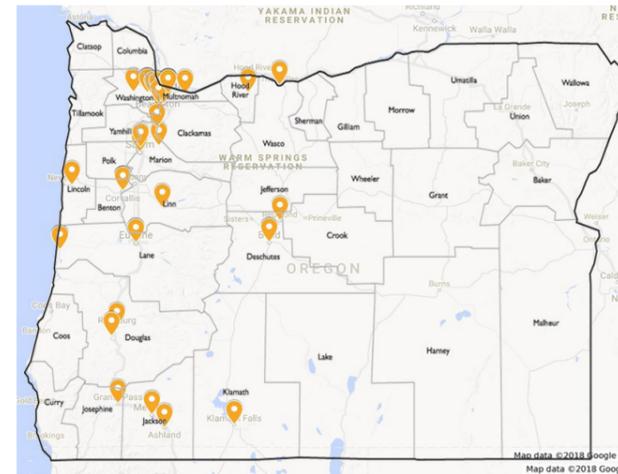
The retirement savings gap in America is estimated to be at least \$6.8 trillion and growing, and more than half of workers have saved nothing, according to the National Institute for Retirement Security. In Oregon, an estimated 1 million workers lack access to a work-based retirement plan. Among the one million, are approximately 500,000-600,000 people who are now able to join OregonSaves through their employer and 400,000 able to sign themselves up—comprised of an almost equal split of self-employed Oregonians and those who aren't eligible for their employer's plan.

Policymakers established OregonSaves to address the retirement savings crisis for Oregonians falling in the gap, understanding that for most of us, it's likely that Social Security payments won't be enough when it comes time to retire.

Workers participating in OregonSaves are already saving at a higher percentage of pay than expected, contributing an average of \$110 per month. The success of OregonSaves will have long-term positive implications for the savers and, more broadly, for the state and its budget. Significant amounts of money will be saved by thousands of Oregonians for years to come as OregonSaves is phased in statewide. Most importantly, this new offering for individuals ensures that every worker has the option to save, regardless of their situation.



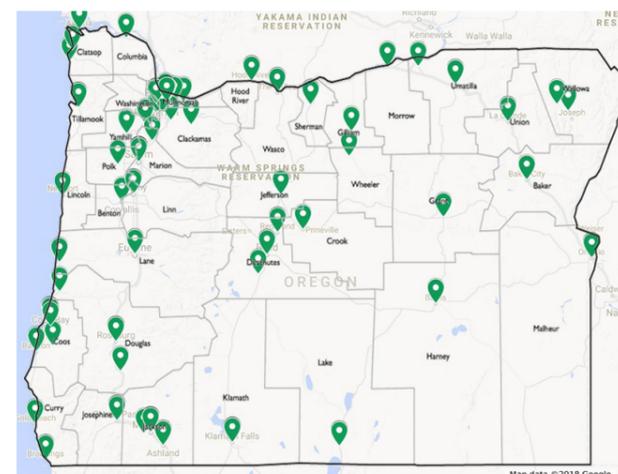
2018 Employee Meetings: 75+



2018 Employer Meetings: 155+



2018 Outreach Events: 210+



OUTREACH STRATEGY

The 2018 outreach strategy for OregonSaves was centered around creating awareness for the program throughout the state, specifically with employers and employees, business associations and supporting organizations, nonprofits and other community influencers.

The two-person, on-the-ground outreach team visited every major region of the state in 2018—targeting specific regions based on time of year. The team focused on creating more connections within specific regions, cities, and communities and leveraging each connection's influence within their respective area.

By providing educational outreach and practical one-on-one help with implementation for both employers and employees, the outreach team was able to make a sizable impact across the state.

Additionally, the OregonSaves outreach team also worked on early compliance with employers from future waves that volunteered to begin facilitating the program early. This proactive approach is intended to simplify implementation of future waves.

IN PRACTICE

Josh Allison, co-owner of Reach Break Brewing in Astoria credits OregonSaves with their company's growth from 1 to 6 employees.

"OregonSaves is a really great tool for a small business owner, such as us. The OregonSaves program allows us to offer a retirement program to our employees and helps us recruit solid workers, and helps us retain those solid workers."



FINANCIAL INCLUSION IN AMERICA WALL STREET JOURNAL

VIDEO: Saving for Retirement

Cindy Van Camp Case Manager, Rogue Retreat

"Erica is just totally blessed. I was thinking about that last night. She's in her 20's and she's already saving. When **OregonSaves** was offered to us at first I thought I can't, I can't take out anything—I need every penny. If I work till I'm 72, if I'm capable of working that long, that money's not going to last long." [bottom right image]

Cindy recently decided to put 3% of her monthly paycheck toward retirement through OregonSaves.

Chad McComas Executive Director, Rogue Retreat

"I'm seeing more and more older people who were thinking they could to be okay when they retired on social security, and they just can't. I'm excited for Erica, she's got a great future. The struggle is for someone like Cindy, because if she doesn't have this job and this income, her retirement funds are not going to be enough to cover what her expenses are. She would be at risk of ending up out of her home. Losing her home." [top right image]

"Long-term financial security for all Oregonians will put our state on a path to a more prosperous and stable future"

—State Treasurer Tobias Read

Rogue Retreat joined OregonSaves in October 2017

Erica Niquette Program Assistant, Rogue Retreat

"I deal with the homeless population on a daily basis, and so seeing people who are in their 60's, 70's, 80's who are homeless because of their tiny little social security check that doesn't pay for anything for them, it worries me, that that's gonna be me. Without **OregonSaves** I wouldn't have any kind of savings. And so I'm shooting to not pull it out. But I have two boys ... if we had something major go on, we don't have the funds to cover an expense." [bottom left image]



In 2018, OregonSaves gained national recognition for making a difference in the lives of historically underserved Oregon populations via a trailblazing auto-enrollment IRA program. Still in its rollout phase, the OregonSaves program has already enabled access to a workplace retirement savings option for over one million Oregonians that were being left behind.



FINANCIAL REPORT PARTICIPATION DATA

As of Dec. 31, 2018

| Employers | | Employees | |
|----------------------|--------|------------------------------|-----------------|
| Registered Employers | 2,649 | Eligible | 72,369 |
| Exempt Employers | 22,119 | Enrolled | 52,287 |
| | | Program Enrolled Rate | 72.25% |
| | | Opted Out | 20,082 |
| | | Opt Out Rate | 27.75% |
| | | Total Assets | \$10,959,936.15 |
| | | Average Funded Acct Balance | \$478.56 |
| | | Average Deferral Rate | 5.2% |
| | | Average Monthly Contribution | \$109.90 |

WHO IS SAVING?

Based on data (through Nov 2018), the *Center for Retirement Research at Boston College* concluded that the OregonSaves program is growing at a steady rate—adding an average of nearly 2,000 actively contributing employees per month. The majority of eligible workers have chosen to participate and are by and large, sticking with the default contribution rate of 5%. Data suggests that younger workers are participating more often than older ones. Employer registration is also exceeding expectations.

93%

Percentage of participants that stuck with the default savings rate (an additional 2% increased their rate).

66%

Percentage of workers participating that are eligible in the 35-44 age bracket (63% between age 45-54; 57% between age 55-64).

2,600+

Registered employers. An estimated 600 employers (with 50+ workers) should have registered by Nov 15th—by the end of 2018, over 2,000 employers had elected to enroll early in OregonSaves.

INVESTMENTS AND CHOICES

Participants in OregonSaves will invest via a menu of low-cost index funds managed by State Street Global Advisors (SSGA) including target date funds approved by the Oregon Retirement Savings Board. The fee for each investment option is approximately 1% of assets per year (\$1 for every \$100 saved)—it pays for the administration of the program, and the operating expenses charged by the investment funds in which the program's portfolios are invested.

The family of funds was selected after a competitive process that considered investment strategy, fees, performance, and other factors. SSGA is the investment management business of State Street Corp.

Participants choose to save at more than or less than 5% up to the federal limits for Roth IRAs. The standard election is 5%. They can opt out at any time.

The funds are:

- **OregonSaves Target Retirement Funds:** 100% invested in the State Street Target Retirement Funds (from 2015 to 2065)
- **OregonSaves Growth Fund:** 100% invested in the State Street Equity 500 Index Fund (Ticker: SSSYX)
- **OregonSaves Capital Preservation Fund:** 100% invested in the State Street Liquid Reserves Fund (Ticker: SSIXX)

AGGREGATE INVESTMENT FUND BALANCES

Most savers are invested in the capital preservation fund, because they are using the standard investment election and have not yet saved their first \$1,000. Of the \$10,959,936 saved as of Dec. 31, 2018:

\$8,663,465.57

Capital Preservation

\$2,173,298.50

Target Date Funds

\$123,172.09

Growth Fund



Provoking Hope joined OregonSaves in September 2018



“

Provoking Hope is not in a place to offer a huge 401k program on our own. It's felt so good from the Founder position to be able to offer this program to my staff. I'm so grateful to OregonSaves for offering this."

*Diane Reynolds, Founder
Provoking Hope*



"I'm 30 and now just thinking about my future. For the first time in my life, I'm thinking ahead. I'm fortunate to be at an organization that has encouraged our staff to join OregonSaves. Where I'm at today is a 180 turn—I never even had a bank account before. I'm grateful these types of programs are available to get people on the right track."

John Malott, Data Entry, Provoking Hope

"We employ a group that is different from most other employer situations —many have come from a dark place. OregonSaves is a program we can share with them and show them that they're worthy. No matter how late in life, it's never too late to start saving. Everyone is deserving of security."

[top left image]

*Belinda Russell, Operations
Provoking Hope*

2018 EXCELLENCE & INNOVATION AWARDS
PENSIONS & INVESTMENTS

*Judges' statement in support of OregonSaves and
Innovation Award winner Oregon State Treasurer Tobias Read*

“The effort was both groundbreaking and building from the ground up. It took vision and great organization while overcoming several significant barriers. It should provide a playbook for other states to follow. It's evident how much effort was put into building this program. The program has the potential to put many employees on the path to retirement security and raise the conversation around the importance of retirement plans.”

*Pensions & Investments 2018 Excellence
& Innovation Awards judges' statement*



Finance industry publication Pensions & Investments and the Defined Contribution Institutional Investment Association (DCIIA) honored OregonSaves with the Excellence & Innovation Award, at a ceremony at the West Coast Defined Contribution Conference in San Diego. The award lauds public and private-sector efforts to enhance retirement security. The panel of judges recognized OregonSaves, the nation's first state-based auto-enroll IRA program, for their early success, which is already putting thousands of Oregonians on the path to a better future. The award announcement coincided with National Retirement Savings Week in October.



BENEFITING RURAL COMMUNITIES DAHLE ORCHARDS

Dahle Orchards joined OregonSaves in October 2017



Siobhan O'Halloran

Administrative Manager, Dahle Orchards

"I first heard about OregonSaves through the Oregon Farm Bureau and I was very interested in exploring this benefit for our employees. I value anything that can help our workers stay financially secure. We have about 20 year round staff and I know that many hourly wage workers in Oregon have a hard time saving and getting ahead. It really takes me about 5 minutes a month to help our employees save and get ahead." [top right image]

Tim Dahle Owner, Dahle Orchards

"We care about our employees, which is why it didn't take a lot of convincing from my administrative manager to take a look at OregonSaves. It's a new and easy way to save for retirement, and it doesn't cost me anything to provide my employees with this important benefit." [bottom left image]

Dahle Orchards Worker

"Some of our employees don't have a financial safety net and OregonSaves can provide that extra layer of security." [bottom right image]

"I'm proud that Dahle Orchards has signed up for the OregonSaves program because of what it will mean for the hardworking people on our farm who deserve it."

—Tim Dahle, The Farmer in The Dalles



Some communities have embraced the OregonSaves program as a way to provide value to their workers. The program was designed specifically for populations without easy access to retirement benefit programs, such as farmworkers.

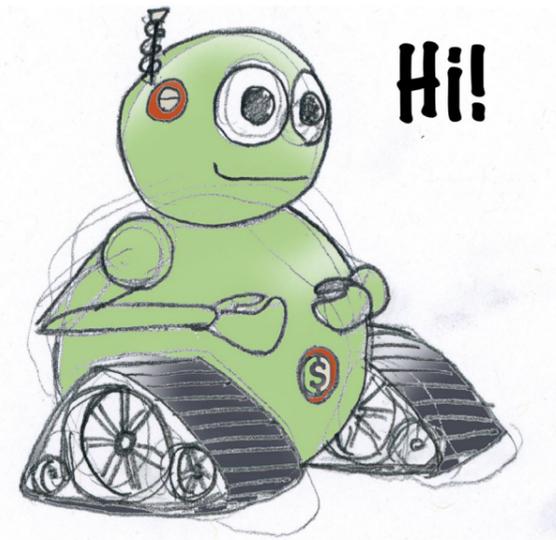


WHERE WE'RE GOING **ENHANCEMENTS**

Traditional IRAs

While all OregonSaves assets are currently in Roth IRA accounts, we expect to start offering traditional IRAs as an alternative for program participants in early 2019. Money grows tax free in both types of accounts, however, unlike with a Roth, taxes will need to be paid when money is withdrawn from a traditional IRA in retirement. A key advantage of traditional IRAs is the absence of an income limit, which can prevent some savers from taking advantage of a Roth IRA.

It's time to answer some questions!



Payroll Provider Integration

As a growing number of states and cities are implementing programs to expand retirement savings access to uncovered workers, the Oregon, Illinois and California secure choice programs have begun outreach to payroll service providers; looking to forge partnerships that will make it easier for employers to facilitate these new retirement savings programs for their employees. Enhanced integration between our systems will enable payroll companies to provide a more seamless service experience to employers. With millions of workers across our jurisdictions soon to participate in our savings programs, this is a significant opportunity for payroll companies to enhance their services to hundreds of thousands of employers across the nation.

OregonSaves Chatbot

OregonSaves' personalized chatbot went live on Facebook Messenger on June 27, 2018. Chatbots are computer programs designed to simulate conversation with human users, especially over the Internet. The bot has been incredibly active with more than 7,200 messages answered about the program.

AARP CONSUMER SURVEY FINDINGS PUBLIC NEWS SERVICE

By Eric Tegethoff, September 5, 2018

Survey: Strong Support Continues for Ore. Retirement Program

Support for Oregon's retirement savings program remains high, according to a new survey.

OregonSaves, an alternative savings program for workers whose employers don't offer retirement plans, began phasing in a year ago. Since then, support for the program has grown, DHM Research shows, with more than 8-in-10 Oregonians supporting or strongly supporting the program.

Vice president of the research firm, John Horvick, said this type of overwhelming backing is rare for public policies.

"I'm a pollster. I'm asking Oregonians questions about public policy matters all the time," Horvick said. "To get something this high – nearly universal support for a program – is quite remarkable. So, this program really does stand out as having broad support across the state."

In a survey commissioned by AARP Oregon, DHM polled about 1,000 working-age Oregonians, following up on a similar survey from last year, and found support rose slightly, from 79 to 82 percent. According to the State Treasury, savings topped \$4.5 million and more than 30,000 people signed up in the first year of OregonSaves.

Horvick said many Oregonians are anxious about retirement. Sixty five percent of respondents feel at least some anxiety that they might not have enough money to make it through their retirement years.

Many still lack access to retirement plans as well, with about 20 percent of people saying a program isn't available through their workplace. The unfortunate numbers go up for young people, at about 25 percent, and for employees who make \$50,000 a year or less, at more than 30 percent.

Horvick said Oregonians with low incomes have the most to gain from OregonSaves.

"Those are the employees and the workers and Oregonians who it's especially important to give them that opportunity to be able to save," he said; "and to do so early in their lives, so that they can maximize those benefits."

Horvick noted most respondents feel retirement is good for the state as well. More than three-quarters say they are concerned that some Oregonians who haven't saved for retirement could become reliant on public assistance programs.

WORKING WITH **MULTIPLE EMPLOYER PLANS**

A MEP is a type of employee benefit plan that can be maintained as a single plan in which two or more unrelated employers participate. In this case, a tax-qualified retirement plan.

"In our view, this is government at its best – public and private sector representatives talking and listening and working through important issues. You and your entire [OregonSaves] team are doing a great job."

– Kent A. Mason, Partner
Davis & Harman LLP

Providing legal representation for employers navigating the intersection of MEPs and OregonSaves





KEY DATES FOR OREGONSAVES

ROLL OUT

(Based on number of employees)

Employer registration deadlines listed. Workers start saving about two months after enrollment

| | |
|-----------------------|-------------------|
| 50-99 employees: | May 15, 2018 |
| 20-49 employees: | December 15, 2018 |
| 10-19 employees: | May 15, 2019 |
| 5-9 employees: | November 15, 2019 |
| 4 or fewer employees: | May 15, 2020 |

AUTO-ESCALATION (Contribution Rate)

Begins January 1, 2019

2019 BOARD MEETINGS (Quarterly)

February 5
May 7
August 6
November 5

2018

Oregon State Treasury
@ORSaves

QUESTIONS?

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