2014

Report and Recommendations of the Oregon Retirement Savings Task Force

Created and Tasked Pursuant to HB 3436 (2013)

Examining and analyzing worker access and participation in employer-sponsored retirement plans and considering recommendations for improving access, participation and level of individual contribution to retirement savings plans for a secure retirement future.

Oregon Retirement Savings Task Force
September 15, 2014

Members of the Task Force

The Honorable Ted Wheeler, Chair
State Treasurer

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Message from the Chair

I have had the honor of serving as Chair of the Retirement Savings Task Force, which addressed the retirement savings crisis created by the woeful status of savings and retirement planning in our state. More needs to be done, and quickly, to reduce the profound impact of what I believe is a generational emergency that threatens to plunge seniors into poverty, disrupt entire families, and impact our overall economy.

Policymakers in Oregon first grappled with the retirement security crisis nearly 20 years ago with the 1997 Retirement Task Force. At that time, the aging of a generation of Baby Boomers produced significant anxiety about the long-term solvency of Social Security. Combined with fundamental changes in employer-sponsored pension plans and reduced savings by individuals, it became clear that new ideas and new policies were required to ensure all Oregonians had the resources to live comfortably after a lifetime of work.

Yet, nearly two decades later, we find ourselves in a familiar place. Oregon's senior population is expected to double in the next 20 years. Roughly half of employees have no retirement savings option at work. One in six Oregonians aged 45-64 has less than $5,000 in a retirement savings account, and only 29% of Oregonians have a 401k account.

The Task Force began our work with this background in mind. We took testimony from social service providers who described the strain on services like SNAP, long term care, and medical assistance created by the lack of savings by seniors. We listened to academics who offered studies and analysis of human behavior as it relates to retirement savings. We heard small business owners' concerns about the potential for new government requirements. Financial industry leaders shared their hopes that any government leadership on this issue not inadvertently weaken the many strong private sector plans currently offered by employers. Non-profits presented information showing women and minorities have been hit even harder by the retirement savings crisis. I appreciate the careful review of this testimony by Task Force members and their thoughtful deliberation.

While we were able to achieve consensus on our recommendations, there was plenty of discussion about what role the government should play in finding a solution. One member of our seven-member panel is opposed to a state-sponsored plan. I believe the Task Force as a result has proposed a methodical, responsible sequence of actions on an issue that cannot be ignored any longer.

I also want to be clear that while the Legislature's directive to this Task Force was limited to providing the following report, the report itself does nothing to alleviate the crisis. We cannot repeat the mistakes of the past by allowing this report to end the discussion. Time is not on our side. The Legislature should take decisive action to codify the foundational principles and allocate the resources necessary to move forward on the next steps agreed upon by the Task Force, so that Oregon can implement a comprehensive plan that works to bolster the retirement savings of our residents.

With all of the other financial pressures facing working Oregonians, it’s time to take the uncertainty out of saving for retirement. By providing a voluntary, automatic, portable, and secure way for Oregonians to consistently save some of the money they earn, we will provide security for families, communities, and the state’s bottom line.

Sincerely,

Ted Wheeler
Oregon State Treasurer
Chair, Oregon Retirement Savings Task Force

> ***The Legislature directed the task force to*** *"develop recommendations for increasing the percentage of Oregonians saving for retirement or enrolled in a retirement plan, and for increasing the amount of those individual savings."*

Executive Summary

The State of Oregon is facing a retirement security crisis. There is a substantial financial industry in the state and saving for retirement is a rational decision. Yet, many Oregonians are not preparing themselves for retirement. Experts recommend individuals save eight times their last annual income for a secure retirement. However, as of 2011, more than half of Oregon workers have saved less than $25,000 for retirement and more than a quarter have saved less than $1,000.

Retirement savings should have three parts: Social Security, retirement savings accounts, and other assets (like home equity). Traditionally, many Oregonians relied on defined benefit plans offered by their employers to fill the role of retirement savings accounts. These defined benefit plans made it easier for workers to have a secure retirement because they offered guaranteed payments at retirement at no risk to the employee. Employees did not have to make any investment decisions. However, recent years have seen a significant shift in how employers approach retirement benefits for their employees.

Today, most employers offer defined contribution plans, if they offer any plan at all. Defined contribution plans give employees the option to choose whether to participate and how much to contribute. Benefits at retirement depend on the amount contributed and how it is invested. Consequently, decisions like choosing the right investment vehicle, starting to save early, selecting the an appropriate rate of contribution, and making sure that fees are low play a major role in whether an individual will have enough money to retire.

The ability to access retirement savings options through the workplace is not the only way to save for retirement, but it plays an important role in helping individuals overcome factors which might lead them to delay saving. Behavioral economists provide explanations for why people choose not to save when the rational choice is to save, including present bias, inertia, and loss aversion. By narrowing down choices and making enrollment easy, access through the workplace helps many Oregonians save. Whether a person has access, however, often depends on whether they are employed full-time or part-time. Part-time employees are significantly less likely to have access to an employer-sponsored plan. Additionally, small businesses are less likely to offer a retirement savings plan to their employees than larger businesses, often for many reasons including strained resources. This is significant because of the large number of small businesses in Oregon.

Women, minorities, low-income earners, and young people tend to have less money saved for retirement. Although low-incomes cannot be addressed by retirement savings plans, part of the problem for all of these groups is access and participation. Non-white heads of household are less likely to own a retirement savings account, and Latinos are significantly less likely to have access to a workplace retirement plan. Women face many challenges in saving, which compound, resulting in a lack of savings that becomes more pronounced as they tend to live longer than men. Low-income earners often have difficulty accessing retirement savings options as many low-income neighborhoods do not have financial service providers nearby. Many young people simply delay investing in their retirement.

Although access through the workplace helps many individuals enroll in retirement savings plans, many businesses do not offer this option to their employees. One reason for this is the perceived administrative burden and cost associated with providing a plan to employees. Costs vary by options and many small business owners simply do not have the resources to choose and implement a plan for their employees, especially when many of them have trouble saving for their own retirement.

Tax credits and other incentives could be used to encourage employers to offer plans and employees to participate. However, more research is needed to determine what types of tax credits would effectively incentivize the types of savings needed. Additionally, education and marketing strategies are helpful, but not sufficient to overcome the savings gap. The financial industry has many resources available to help individuals and business owners, but there appears to be a lack of adequate financial literacy in schools and which may contribute to some individuals not feeling confident about seeking professional financial services on their own.

Addressing the savings gap is a matter of public concern for many reasons, including the strain on public assistance required by those who have not adequately saved for retirement.

The Task Force recommends developing and making available a retirement savings plan to all Oregonians lacking access to a plan at their workplace. The recommendations envision a plan with a minimal employer role, automatic enrollment for the employee (with an option to opt-out), payroll deduction, and annual automatic escalation (with opt-out) of monthly contribution, among other factors. The plan will be part of an overall retirement security program directed by a state board aimed at increasing enrollment in retirement security accounts. The program should include market research, small business outreach, research into incentives, seeking legal guidance, and efforts to increase financial literacy.

Introduction and Background

The problem persists. It has grown. It is more urgent. It has acquired a name: Silver Tsunami.[1]

With baby boomers retiring at a pace of roughly 10,000 per day for the next 16 years,[2] the issues that were carefully examined by an Oregon Task Force a decade and a half ago have grown into a foremost policy challenge. The estimated 401(k) account balance among Oregonians employed in the private sector (and possessing such an account) stands at about $31,000.[3] Nationally, the gap between actual retirement savings and optimal savings adds up to $113,000 per household among those 55 to 64 – a $6.8 trillion shortfall.[4] The result is an estimated 53 percent of households are at risk of being unable to maintain their pre-retirement standard of living in retirement.[5]

As representatives of AARP told the Task Force, one out of every 10 Oregonians aged 65 or older lives in poverty; one in six Oregonians aged 45 to 65 have less than $5,000 in retirement savings; the annual income of half of those 65 and older is less than $18,500; and without Social Security (the average monthly Social Security benefit is $1,256), the incomes of some 41 percent of those aged 65 or older would be below the poverty level.[6] Indeed, "[t]hree out of five families headed by a person 65 or older have no money in retirement savings accounts."[7]

An issue recognized since at least 1997

*"**The Retirement Savings Problem** With the long-term financial stability of Social Security in question, U.S. savings rates at an all-time low and impending retirement of the "baby boomers," retirement savings has become a national issue. And Oregon is not immune to the problem. There is growing concern in Oregon that many people are not financially prepared for retirement. Without adequate savings, Oregonians will be forced to work longer, rely more on government support programs, and possibly live a reduced standard of living."*

Executive Summary
Oregon State Treasury
Report of the
Oregon Retirement Task Force
March 1997

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[1] The term is attributed to University of Nevada-Reno Professor of Counseling and Educational Psychology, Mary Finn Maples.
[2] D'Vera Cohn and Paul Taylor, *Baby Boomers Approach 65 – Glumly,* PewResearch: Social & Demographic Trends, Dec. 20, 2010, *available at* http://www.pewsocialtrends.org/2010/12/20/baby-boomers-approach-65-glumly/.
[3] August 6, 2014 Task Force meeting. Report submitted by Nari Rhee, Manager of Research, National Institute on Retirement Security.
[4] David McHugh, *Retirement Fiscal Cliff is Looming Worldwide*, *The Oregonian*, December 29, 2013, at A1. *See also,* Nari, Rhee, *The Retirement Savings Crisis: Is It Worse Than We Think?*, National Institute on Retirement Security, (Jun. 2013), *available at* http://www.nirsonline.org/index.php?option=com_content&task=view&id=768&Itemid=48.
[5] Alicia H. Munnell et al.. *The National Retirement Risk Index: An Update*, Boston College Center for Retirement Research, 12-20 (Oct. 2012).
[6] March 18, 2014 Task Force meeting. Statement of Joyce DeMonnin and Daniel Rodriguez, AARP, citing *The New Reality: Important Facts about America's Seniors,* AARP Public Policy Institute (Jun. 2011) and *Poverty Rates by Age*, The Kaiser Family Foundation (2013).
[7] *Id*.

The Role of the Task Force

The Legislative Assembly convened the Oregon Retirement Savings Task Force during the 2013 session (HB 3436). The Task Force held six meetings from March 2014 to August 2014. During that time, the Task Force discussed a variety of subjects relating to retirement savings for the purpose of developing recommendations to (1) increase the percentage of Oregonians saving for retirement and enrolled in a retirement plan and (2) increase the amount of savings in those plans.

HB 3436 directed the Task Force to consider the following specific factors:

- Access Oregonians have to employer-sponsored retirement plans and individual retirement products.
- Types of employer-sponsored retirement plans and individual retirement products offered in Oregon.
- Estimates of the average amount of savings and other financial resources Oregonians have upon retirement.
- Estimates of the average amount of savings and other financial resources that are recommended for a financially secure retirement in Oregon.
- Level of reliance retired Oregonians have on public assistance benefits as a result of insufficient retirement savings or other income.
- Oregon tax incentives currently offered to encourage retirement savings.
- Statistics on the use and effectiveness of tax incentives available to Oregonians.
- Educational and marketing strategies that the State of Oregon and private entities can pursue to encourage businesses and residents to increase awareness of and participation in retirement savings plans.
- Possible structures of plans or products that could be offered or facilitated by the State of Oregon and the advantages or disadvantages of each type of plan or product.
- Costs of the various structures of available plans and products and an evaluation of the value of the benefits when compared with those costs.
- Feasibility of creating a public-private partnership in Oregon that offers plans or products directly to individuals.
- Adoption and expansion of successful approaches used to increase participation in both employer-sponsored retirement plans and individual retirement products.

The Legislative Assembly also put limitations on what could be considered. The Task Force could not:

- Recommend plans or products that would subject the State of Oregon or private-sector employers to responsibilities under the federal Employee Retirement Income Security Act (ERISA) of 1974, or that would result in tax treatment that is less favorable than that provided under existing provisions of the Internal Revenue Code.

- Recommend plans or products that would create any guarantee by the State of Oregon, or cause the State of Oregon to incur any liability or obligation for payment of savings or benefits earned by plan participants.
- Recommend plans or products that would create any financial obligation, liability or guarantee on the part of private sector employers whose employees participate in the plan, with regard to investment or investment performance of the plan.

Pursuant to this legislative direction, the Task Force made the following findings and recommendations.

The Shift in Retirement Plans

Retirement incomes are traditionally supported by three sources: Social Security benefits, employer-provided pensions, and personal savings (including asset income).[8] However, the last 35 years have seen a steep decline in defined benefit retirement plans offered by employers and a rise in defined contribution plans. This has complicated retirement savings options for many individuals because retirement security depends on their own contributions and market performance instead of guaranteed pension benefits that automatically come with their employment.

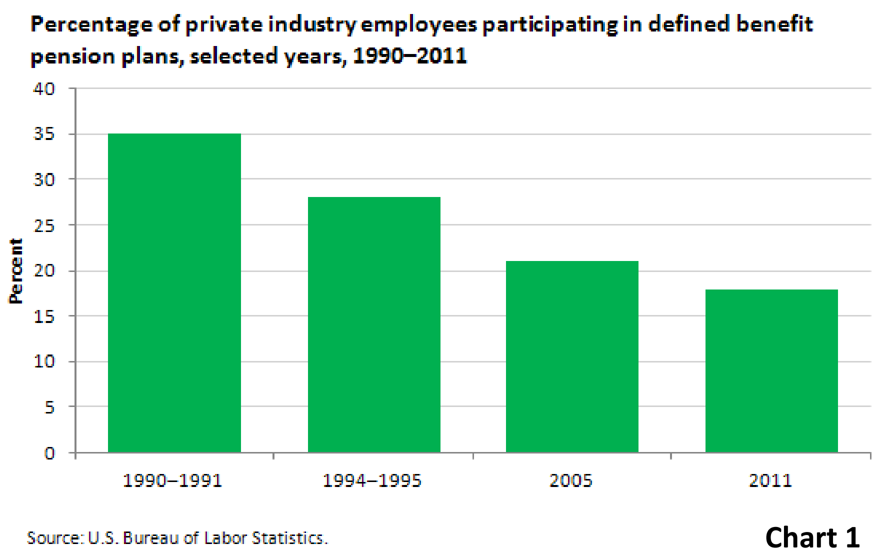


Chart 1

Traditional, defined benefit plans provide a fixed, monthly retirement income amount for the life of the participant and are often transferrable to a surviving spouse. In 2011, the Oregon State Treasury found that 55 percent of Oregon employees (and 55 percent of U.S. employees) had access to a pension or tax-deferred retirement plan through their employer.[9] However, the traditional defined benefit retirement plan amounted to only 10 percent of all retirement plans provided by private sector companies, covering 18 percent of those employed in private industry.[10] As Chart 1 demonstrates, the nationwide percentage of private industry employees participating in defined benefit pension

[8] American Council of Life Insurers et al., *Our Strong Retirement System: An American Success Story* (Dec. 2013) (classifies the components in the nation's retirement system slightly differently, noting five categories: Social Security; homeownership; employer-sponsored retirement plans; individual retirement accounts; and other assets.
[9] Oregon State Treasury, *Retirement Readiness of Oregonians*, 29 (Apr. 2011).
[10] Wiatrowski, William J., *The last private industry pension plans: a visual essay*, U.S. Dept. of Labor - Monthly Labor Review (Dec. 2012).

plans has steadily declined from 35 percent in 1990 to the 18 percent seen in 2011.[11] Additionally, among the private sector employers offering defined benefit pension plans, nearly half are large companies with at least 500 employees (see Chart 2).[12] Small businesses with less than 50 employees account for only 8 percent of employers offering defined benefit pension plans.[13]

Employers choose to offer fewer defined benefit plans because of increasing life expectancy of workers, economic uncertainty, and the enormous liability that these pension plans mean for the organization offering them.[14] Employers who are concerned about defined benefit plans but still want to offer some retirement plan to their employees have increasingly turned to defined contribution plans. Of all the retirement plans offered by employers between 2009 and 2011, 93 percent were defined contribution plans and 7 percent were defined benefit plans.[15]

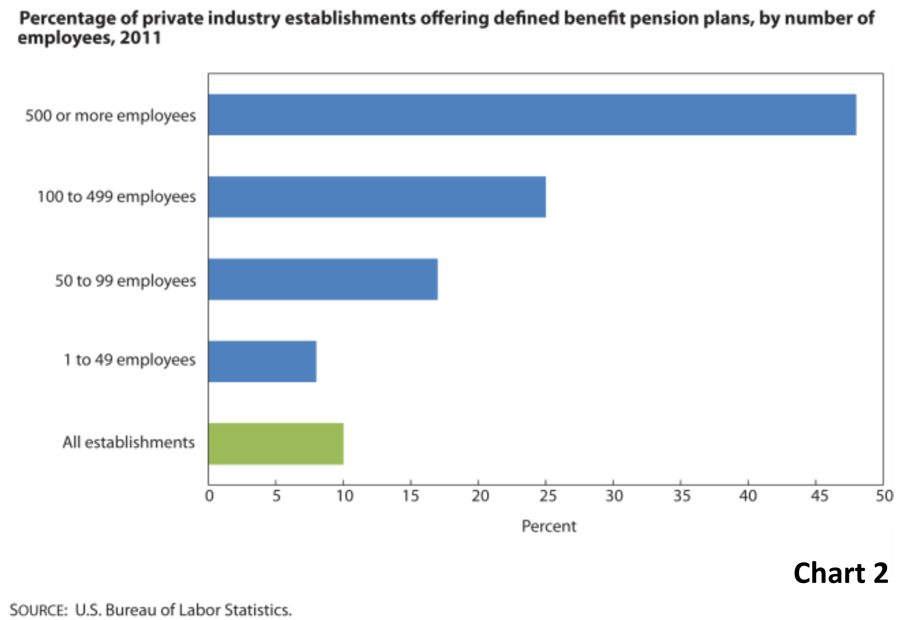


Chart 2

Retirement savings now operate "essentially in a 401(k) world."[16] However, defined contribution plans were not intended to be a replacement for defined benefits plans. Speaking before a U.S. Senate hearing on the state of U.S. retirement security in March 2014, an economist from the Economic Policy Institute explained that 401(k) plans are an "accident of history." [17] In 1980, "a benefit consultant working on a cash bonus plan for bankers had the idea of taking advantage of an obscure provision in the tax code passed two years earlier clarifying the tax treatment of deferred compensation and adding an employer matching contribution."[18] The 401(k) plan was

[11] *Id*. at 4.
[12] *Id*.at 6.
[13] *Id.*
[14] Oregon State Treasury, *supra* note 9, at 24.
[15] U.S. Gov't Accountability Office, Rep. No. GAO-14-334R, *Private Pensions: Pension Tax Incentives Update* (2014).
[16] Shlomo Benartzi and Roger Lewin, *Save More Tomorrow Practical Behavioral Finance Solutions to Improve 401(K) Plans* (2012) (describing that the "401(k)" has come to mean broadly a range of individual retirement savings options, including 403(b), 457, IRAs, etc.").
[17] *The State of U.S. Retirement Security: Can the Middle Class Afford to Retire?, Hearing before the Subcomm. on Economic Policy of the S. Comm. on Banking, Housing, and Urban Affairs*, 113th Cong. (2014) (statement of Monique Morrissey, Economist, Econ. Policy Inst.).
[18] *Id.*

intended to operate as a supplement to traditional plans when Congress passed the Revenue Act of 1978. The 401(k) model relies on employee contributions during that employee's career that are put into an account and invested. Upon retirement, the employee can withdraw from the account.

Share of Firms Offering SEP or SIMPLE Plans	
Eastern Oregon	12%
Columbia Gorge	11%
Portland Metro	10%
I-5 Corridor	10%
Central and South Central	9%
Coast	9%
2 to 9 employees	9%
10 to 49 employees	13%
50+ employees	5%

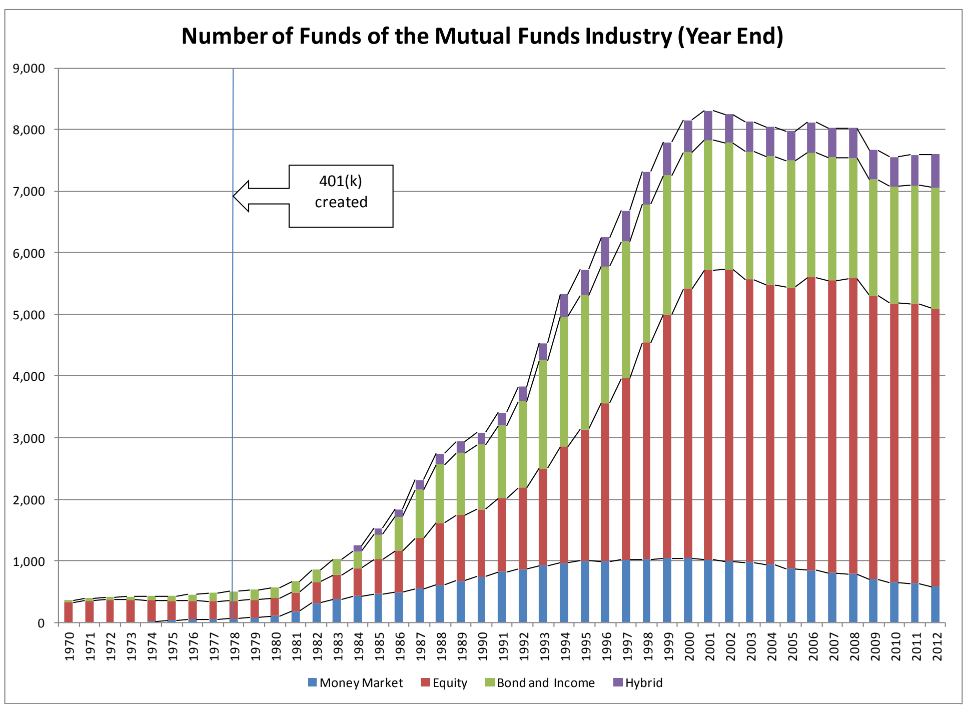
Source: Oregon Employment Department Labor Market Information. (See note 31)

Chart 3

Some employers offer Simplified Employee Pension (SEP) or Savings Incentive Match Plan for Employees (SIMPLE) plans to their employees, but their use is limited. Only one in 10 Oregon employers offered SEP or SIMPLE plans, according to a June 2012 survey, without much variance by economic region of the state.[19] Of those companies that offered either of the two types of plans, employers with 10 to 49 employees were most likely to offer the benefit. Small companies, those employing two to nine employees, were next most likely, while employers with 50 or more employees were the least likely to offer SEP or SIMPLE plans.

Navigating Retirement Savings Products

For individuals not covered by a defined benefit plan, making the right choices that are most likely to yield future income that will cover expenses in retirement can be challenging. These Oregonians assume the roles of investment advisor, financial manager, and retirement planner. The individual carries all the risk in accumulating sufficient retirement resources. After retirement, the timing, amount, and frequency of withdrawals – as well as



Source: Investment Company Institute, *2013 Investment Company Fact Book: A review of Trends and Activities in the U.S. Investment Company Industry*, 146 (53rd ed. 2013).

Chart 4

[19] Retirement Benefit Enrollment and Selected Pension Offerings in Oregon, Gail K. Krumenauer, Oregon Employment Department, Labor Market Information. Prepared at request of Task Force Staff, April, 2014.

continuing responsibility for the balance of investments – remain with the individual. This is further complicated by the sheer number of options available (See Chart 3). Professionals in the financial industry are available to help savers navigate this complicated environment, but many individuals – for reasons including lack of financial literacy, known behavioral impediments, and lack of finances – do not access this assistance. While individuals without an employer-sponsored retirement saving plan could save in an IRA, research estimates that only 1 out of 20 actually does so regularly.[20]

Being adequately informed today to make meaningful long-term decisions requires that the individual retirement saver acquire a working knowledge and familiarity with the retirement savings industry vocabulary. Its terms communicate a range of considerations when making retirement savings decisions from types of funds to various related fees. These include 34 basic definitions simply to navigate the many options for retirement savings.[21] (See Appendix B – U.S. Securities and Exchange Commission Glossary of Key Mutual Fund Terms.)

The previous section introduced some but not all of the range of products available on the market for employer-sponsored retirement programs.[22] Employer programs may offer any of the following plans:

- 403(b)/Roth 403(b)
- 457(b) (available to government employers only)
- SIMPLE IRA
- SEP
- SIMPLE 401(k)
- 401(k)/Roth 401(k)
- Profit Sharing
- Money Purchase
- Defined Benefit

Mutual fund terms for the individual retirement saver to know for investing

12b-1 Fees
Account Fee
Back-end Load
Classes
Closed-End Fund
Contingent Deferred
Conversion
Deferred Sales Charge
Distribution Fees
Exchange Fee
Exchange-Traded Funds
Expense Ratio
Front-end Load
Index Fund
Investment Adviser
Investment Company
Load
Management Fee
Market Index
Mutual Fund
NAV (Net Asset Value)
No-load Fund
Open-End Company
Operating Expenses
Portfolio
Profile
Prospectus
Purchase Fee
Redemption Fee
Sales Charge (or "Load")
Shareholder Service Fees
Statement of Additional Information (SAI)
Total Annual Fund
Operating Expense
Unit Investment Trust (UIT)

[20] May 14, 2014 Task Force meeting. Statement of David C. John, Senior Strategic Policy Advisor, AARP Public Policy Institute; Deputy Director, The Retirement Security Project [hereinafter John].
[21] Securities and Exchange Commission, *Invest Wisely: An Introduction to Mutual Funds*, available at http://www.sec.gov/investor/pubs/inwsmf.htm.
[22] April 29, 2014 Task Force meeting. Presentation of Harley Spring, *Guide to Retirement Plans: A comparison of retirement plan types and features.*

Individuals can independently acquire Traditional or Roth IRAs.

The various products involve different parameters and conditions for the employer and participating employees. Some conditions may be common to one or more of the plans, and each has its own key benefits, advantages and disadvantages. They include:

- obligations to contribute
- maximum deductible and contribution limits
- minimum contributions/benefits for top heavy plans
- eligibility requirements for participation
- nondiscrimination requirements
- vesting/forfeitures
- distributable events
- tax treatment of distribution/rollovers
- government filing requirements

Understanding Fees and Their Savings Impact

Understanding the nature and effect of fees paid to professional financial managers for their services is a key piece of making informed retirement savings decisions. Individuals should understand the impact of fees and whether a particular fee structure makes sense for their financial goals.

Even a one percent difference matters. For example, a person saving $500 a month in an account with a 10 percent gross return would net $1,669,731 after 35 years if the plan charged a 0.5 percent fee. However, that same account would net only $1,297,783 if the plan instead charged a 1.5 percent fee – a difference in total retirement savings accumulation of $371,948.[23] At a 12 percent gross return, the difference between those accounts would be $651,799.[24] Even though contributions and earnings on investment increase retirement savings, fees, and expenses can substantially reduce savings growth.[25]

Factors Affecting Savings

Although there are many factors contributing to whether or not a person has adequate retirement savings, some of the factors studied by the Task Force include: behavioral

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[23] July 15, 2014 Task Force meeting. Statement by Profs. John Chalmers, Lundquist College of Business, University of Oregon, and William (Bill) Harbaugh, Department of Economics, University of Oregon [Hereinafter Chalmers and Harbaugh].

[24] *Id.*

[25] U.S. Dept. of Labor - Employee Benefits Security Administration, *A Look at 401(k) Plan Fees* (Aug. 2013) (providing the example that a balance of $25,000, 35 years until retirement, an average seven percent annual return, grows to $227,000 at average fees and expenses of .5 percent. At fees and expenses of 1.5 percent, growth reaches $163,000, a difference of $64,000, a 28 percent reduction in the investment savings).

economics, financial literacy, full-time or part-time employment status, size of employer, race and ethnicity, gender, and income level.

A. Behavioral Economics

A person's saving decisions are prominently affected by behavioral economics. Research in this area has shown that "when people are faced with an important decision where they are uncertain what to do, they do nothing."[26] This concept helps to explain the reluctance of some people to seek out retirement savings opportunities when so many are theoretically available in the private sector. There is a neurological aspect to this as the brain decides whether to save or spend. Two competing neural systems fight each other: the emotional brain wants to consume now while the frontal cortex is willing to save.

In addition to influencing whether a person saves, behavioral economics influence how a person saves. Behavioral economists find that individuals are largely "delegators" (90%) and would prefer to let someone else (e.g. a professional investment manager) invest their savings.[27] Individuals who are "fine tuners" (9%) are more involved in decision making about their savings investments, and those who are "customizers" (1%) prefer to do the research and selection of investment options themselves. Customizers are the most receptive audience for advertising campaigns around financial retirement products.[28]

Only 50 percent of employees are comfortable selecting investments that are right for them.[29] However, of those employees, only 36 percent are women and 63 percent are men. Additionally, only 56 percent of employees have reviewed their investment portfolio within the last 12 months and 35 percent report that their asset allocation has been reviewed by a financial professional within the last 12 months.[30]

B. Full-time Versus Part-time Employment

In 2012, of the 142.5 million people employed in the U.S., 80.6 percent were usually employed full-time, with the balance, 19.4 percent, usually employed part-time.[31] Oregon has a higher

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[26] John, *surpa* note 20.
[27] July 15, 2014 Task Force meeting. Statement by Glenn Dial, Managing Director, Head of U.S. Retirement Security Allianz Global Investors.
[28] *Id.*
[29] PwC, *Employee Financial Wellness Survey: 2014 Results* (Apr. 2014), available at http://www.pwc.com/en_US/us/private-company-services/publications/assets/pwc-employee-financial-wellness-survey-2014-results.pdf.
[30] *Id.*
[31] Morrissette, Tracy, *Oregon's Part-time Workers: Nearly One-Quarter of Employment in 2012*, Oregon Labor Market Information System (Dec. 2013).

percentage, 24.4 percent, working part-time.[32] The national and Oregon trends show an increasing portion of the workforce employed part-time since 2007.[33]

While only 74 percent of full-time[34] private sector workers nationwide have access to a retirement plan through their employer, that percentage is much lower for part-time employees – 37 percent.[35] Chart 4 shows the difference in access to an employer-sponsored plan between full-time and part-time employees across various industries.[36] Accordingly, as employment opportunities shift away from full-time jobs and toward more part-time jobs, the proportion of workers with access to employer-sponsored retirement savings plans is likely to decrease.

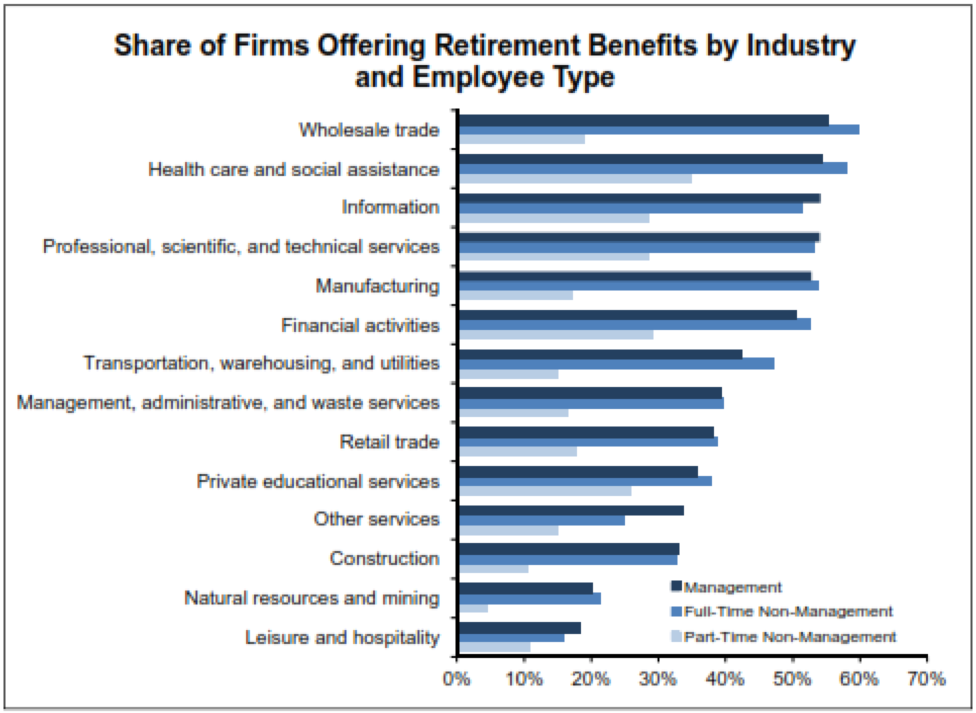

Chart 5

C. Size of the Employer

Oregon has a significant number of small businesses, which impacts the rate of access to employer-sponsored retirement savings plans and the kinds of plans offered. In 2011, 60 percent of Oregon businesses had less than 5 employees. Chart 5 provides a visual description of the breakdown of Oregon businesses by size.[37] Small businesses are major employers in Oregon: nearly one-fourth of the workforce is employed in companies of less than 20 employees.

As discussed above, small businesses are less likely to offer defined benefit plans than their larger counterparts. They are also less to offer any other retirement savings plan to their employees. The Bureau of Labor Statistics in the U.S. Department of Labor reported that in

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32 *Id.*

33 *Id.* (From 1997 to about 2007, the percentages, respectively, for the U.S. and Oregon were steady at about 20 percent and 17 percent.)

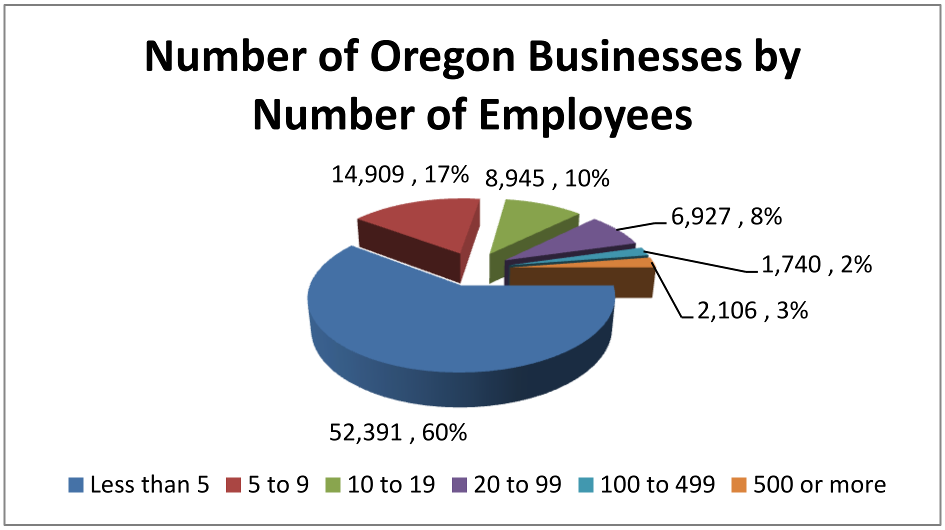
34 *Id.* (The Bureau of Labor Statistics (BLS) differentiates between usual full-time and part-time workers based on 35 hours per week: full-time is 35 or more hours per week; part-time is less than 35 hours per week).

35 Bureau of Labor Statistics, *Employee Benefits in the United States – March 2014* (Jul. 2014), available at http://www.bls.gov/news.release/pdf/ebs2.pdf.

36 Elise Gould and Doug Hall, *Oregon Retirement Security: How are retirement needs being met now and in the future?*, Economic Policy Institute Briefing Paper No. 334 (Jan. 2012).

37 Oregon Employment Dept., *Oregon Employer-Provided Benefits and the Impacts of Rising Costs*, 5 (Feb. 2013).

March 2014, 82 percent of workers employed by companies with 100 or more employees had access to retirement benefits while only 50 percent of workers employed by companies with less than 100 employees had access.[38]



U.S. Census Bureau, County Business Patterns 2011

Chart 6

The size of the business also plays a role in the level of employee participation in retirement savings plans offered by employees. The BLS reported that while 82 percent of large company employees have access to employer-sponsored plans, only 64 percent actually participate – a 78 percent take-up rate.[39] While 50 percent of small company employees have access, only 35 percent actually participate – a 70 percent take-up rate.

Oregon conforms to this nationwide trend: access and participation both increase as employer size increases. Among all workers employed by businesses with less than 25 employees, only 29.6 percent have access to an employer-sponsored plan and only 22.2 percent participate – a 74.9 percent take-up rate. Chart 7 and Table 1 provide specific information for Oregon private sector employers by size.

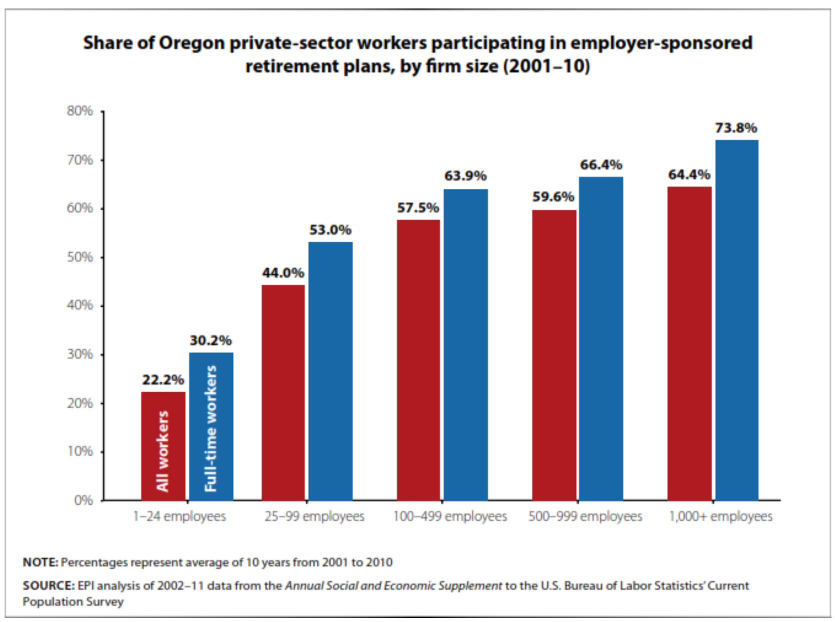


Chart 7

[38] Bureau of Labor Statistics, *supra* note 35. *See also* American Council of Life Insurers, *supra* note 8.
[39] *Id.*

Employer-sponsored retirement plan coverage in Oregon (2001–10)

	All workers age 25-64			Full-time workers age 25-64		
	Access	*Take-up*	*Participation*	*Access*	*Take-up*	*Participation*
All	64.2%	82.6%	53.0%	71.5%	88.5%	63.3%
By sector						
Private sector	59.3%	80.4%	47.7%	67.1%	86.4%	58.0%
Public sector	87.6%	89.8%	78.7%	92.1%	95.8%	88.2%
Income quartile among private sector						
Bottom 25%	29.5%	43.7%	12.9%	41.6%	66.4%	27.6%
Middle 50%	63.0%	80.7%	50.9%	71.5%	87.1%	62.2%
Top 25%	81.9%	93.1%	76.3%	84.0%	95.1%	79.8%
Firm size among private sector						
1–24 employees	29.6%	74.9%	22.2%	35.8%	84.3%	30.2%
25–99 employees	56.5%	77.8%	44.0%	64.3%	82.5%	53.0%
100–499 employees	68.8%	83.5%	57.5%	73.2%	87.4%	63.9%
500–999 employees	76.5%	78.0%	59.6%	77.3%	85.8%	66.4%
1,000+ employees	78.3%	82.2%	64.4%	83.9%	88.0%	73.8%

NOTE: A full-time employee works 50+ weeks a year and 35+ hours a week.

SOURCE: EPI analysis of 2002–11 data from the *Annual Social and Economic Supplement* to the U.S. Bureau of Labor Statistics' Current Population Survey

Table 1

D. Gender, Race, and Ethnicity

Gender and race/ethnicity have a measurable effect on retirement savings. Research by the ING Retirement Research Institute comparing behaviors of the diverse American workforce found that, among full-time employed individuals with household incomes of $40,000 or higher, "there were more similarities than differences in the trends of how these populations spend, save and think about finances and retirement."[40] However, the Task Force heard testimony that women and minorities generally have less in retirement savings because "they earn substantially less over their lifetimes."[41]

While women make up half of the workforce, a woman's total retirement assets average less than 70 percent of the comparable savings of a man.[42] Women make up over two-thirds of all minimum wage workers and are more likely to work in part-time jobs that do not provide access to employer-sponsored retirement savings plans.[43] Women are also more likely to experience gaps in workforce participation, contributing to both lost wages and lower investment in Social Security and retirement savings plans.[44] In fact, in 2006, women averaged 27 years in the workforce compared to almost 40 years for men.[45] While women have less retirement assets, they are more likely to have an extended need for these assets because they

[40] ING Retirement Research Institute, *Culture Complex: Examining the retirement and financial habits, attitudes and preparedness of American's diverse workforce* (Feb. 2012).
[41] May 14, 2014 Task Force meeting. Presentation by Prof. Mary King, Economics Department, Portland State University [hereinafter King].
[42] March 18, 2014 Task Force meeting. Presentation by Lili Hoag of Family Forward Oregon [hereinafter Hoag].
[43] *Id.*
[44] *Id.*
[45] March 18, 2014 Task Force meeting. Submitted American Association of University Women report (Oct. 2011).

generally live longer than men. These factors compound and, consequently, eight in ten of the poorest quartile of Oregon retirees are women.[46]

The Task Force heard testimony explaining that people of color tend to have less incomes over the course of their lifetimes for a variety of reasons, including a "cumulative impact of an ongoing historical social preference for which results in less wealth and a lower ability to fund education and other investments in children"; continuing residential segregation affecting quality of schools; unequal job access and outright hiring discrimination resulting in higher unemployment rates; and lower lifetime earnings.[47] Other factors directly affecting savings rates include a lower likelihood of employment in positions with pension benefits and higher unemployment rates causing gaps in contributions and access to employer-sponsored accounts.[48] The National Institute of Retirement Security reports that "workers of color, in particular Latinos, are significantly less likely than white workers to be covered by an employer-sponsored retirement plan—whether a 401(k) or defined benefit (DB) pension." Specifically, the 2013 report found that only 54 percent of Black and Asian employees and 38 percent of Latino employees aged 25-64 work for an employer that sponsors a retirement plan. By contrast, 62 percent of white employees have access to an employer-sponsored retirement plan, with the disparity more pronounced in the private sector.[49]

E. Income

Income level plays a role in access, participation, and amount of savings. Many low income individuals do not have access to employer-sponsored retirement plans. In 2012, the median annual earnings among workers without access to an employer-sponsored retirement plan was about $22,000, compared to about $47,000 among workers with access.[50] According to testimony by Nari Rhee of the National Institute on Retirement Security, "[t]his is because employers use retirement plans to help recruit and retained skilled workers, and health benefits tend to take more immediate priority over retirement benefits in this regard."[51]

Although people with lower income levels could seek out retirement savings services, "…in low income neighborhoods, there are often no financial institutions nearby other than a check cashing outlet. Low income individuals are often reluctant to go to financial outlets in other areas as they feel that they are not welcome or that they will be treated poorly."[52] Perhaps for this reason, "access to a workplace retirement savings plan or pension is second only to having a job as the most important factor in assisting moderate-to-low income individuals to build

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[46] Hoag, *supra* note 42.
[47] King, *surpa* note 41.
[48] *Id.*
[49] Rhee, Nari, *Race and Retirement Insecurity in the United States*, National Institute on Retirement Security (Dec. 2013).
[50] Rhee, Nari. *The Retirement Crisis in the U.S. and Oregon: Disparities in Retirement Savings and Workplace Retirement Savings and Workplace Retirement Plan Access by Income/Earnings, Firm Size and Race.* National Institute on Retirement Security. 6 August 2014.
[51] *Id.*
[52] John, *supra* note 20.

retirement security."[53] Plan providers have found that "among low and moderate income workers, 71 percent are more likely to save for retirement *when the employer has a plan*" [emphasis added].[54]

That said, when offered an opportunity to enroll in a plan, the strain of limited resources often prevent a person from making the decision to save adequately for future retirement. The report conducted by the Oregon State Treasury found that those who have access to a retirement savings plan through their employer but choose not to participate generally "have a lower household earned income than those who choose to participate."[55]

F. Age

Younger people are less likely to have a retirement account. Only 47.2 percent of households with a head of household aged 25-34 have a retirement account, compared to about 60 percent where the head of household is aged 45-64.[56] "Of Oregonians born between 1981 and 1990, 83% do not have either an IRA or 401k account."[57] Another study by PricewaterhouseCoopers found that, nationwide, 25 percent of Gen X employees and 33 percent of Gen Y employees are not currently saving for retirement.[58]

Improving Participation

Despite employers offering employees retirement saving options, participation is not universal.

Only 76 percent of all private sector employees with access to a plan actually participate – a reference known as the "take-up rate." [59] Access and participation both increase as income and employer size increases.[60]

Improving participation as soon as possible is critical. A hypothetical employee that chose to enroll in a plan after the 1997 Oregon Retirement Task Force would enjoy thousands in savings by today. Conservative monthly contribution rates of $25 to $100 would have accumulated to nearly $7,500 and $30,000, respectively (see Chart 8). This compounding effect provides a significant long-term result and increases retirement security.

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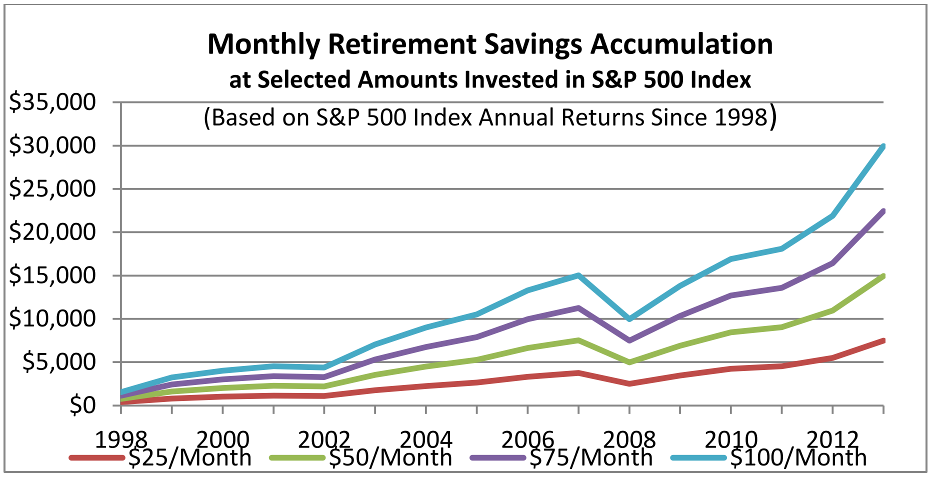
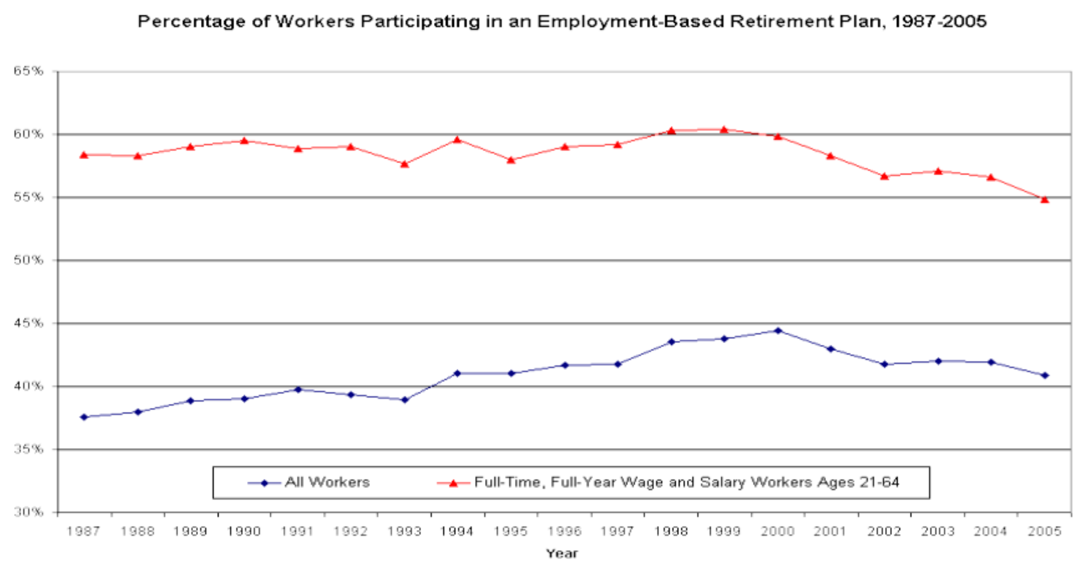
[53] *Id.*
[54] Ibid. Employee Benefit Research Institute (EBRI) estimate using 2008 Panel of U.S. Census Survey of Income and Program Participation (SIPP) data.
[55] Oregon State Treasury, *supra* note 9.
[56] Rhee, *supra* note 50.
[57] John, *supra* note 20.
[58] PwC, *supra* 29.
[59] Bureau of Labor Statistics, *supra* note 35.
[60] *Id.*



Source: S&P Historical data

Chart 8

Generally, participation in employment-based retirement savings plans among all workers, though substantially higher among full-time workers, has remained flat, according to AARP (See Chart 9).[61]



Source: Employee Benefit Research estimates from the March 1988-2006 Current Population Survey.

Chart 9

Retirement savings participation is dramatically improved when there is a program available that automatically enrolls employees.[62] Utilizing "defaults," like automatic enrollment, has proven successful in increasing savings, as shown in Chart 10.[63]

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[61] John, *supra* note 20.
[62] *Id.*
[63] *Id.*

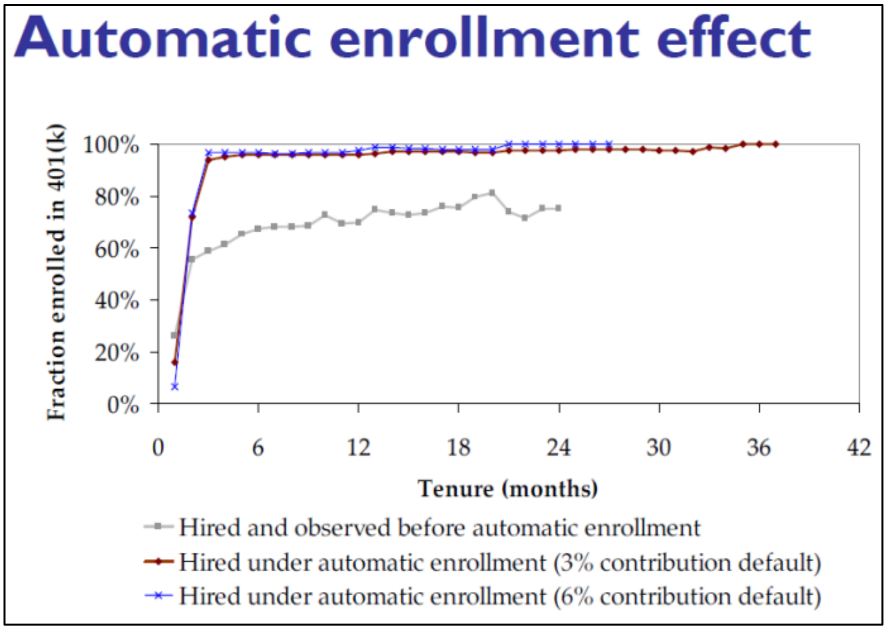

Chart 10

Source: Chalmers and Harbaugh, *see* note 29.

This is consistent with what behavioral economists identify as policy tools for overcoming individuals' natural inclination to spend now and/or put off saving. To "give the frontal cortex a helping hand," Professor William Harbaugh suggested the following[64]:

- Make the default option to save, so the limbic system has a higher hurdle to overcome.
- Start with small savings, increase them automatically. People aren't sacrificing when they make the decisions, tricks the limbic system.
- Make decisions simple. Confusion overwhelms the frontal cortex, depletes its ability to exercise control, and helps the limbic system.
- Make people commit. The limbic system is just waiting for its chance to spend the money now.

Impediments for Employers

Smaller employers provided the Task Force with an insight on what considerations and concerns they value in the retirement savings discussion. As noted previously, small businesses are less likely to offer a retirement savings plan for employees. The task force heard perspectives from small business owners both against establishing a requirement that all employers provide access to a plan for its employees and for creation of a program that their employees could access. Those opposed to a requirement believe it will create an

[64] Chalmers and Harbaugh, *supra* note 29.

administrative burden for small businesses, which have limited resources. Many small businesses rely on a single person to manage administrative, payroll, and employment law compliance, and adding additional responsibilities would be a strain. Other businesses were open to the requirement of offering a plan to employees so long as they were not saddled with the burden and expense of having to search, evaluate, select, and establish a plan on their own.

The wide range of plans, varying characteristics and applicability of different plans, the various and complex IRS rules, and ERISA obligations make for a complicated evaluation and decision process for small business owners. The cost of developing or hiring necessary expertise in this area also becomes a factor.

While there are resources to help small business owners navigate the various options and decisions, the net result is still a challenging process on an often limited and non-expert staff. The U.S. Department of Labor, for example, offers a website dedicated to improving pension participation and retirement savings, including instructions as follows:

> **"Establishing An Automatic Enrollment 401(k) Plan**
>
> When you establish an automatic enrollment 401(k) plan you must take certain basic actions. One of your first decisions will be whether to set up the plan yourself or to consult a professional or financial institution - such as a bank, mutual fund provider, or insurance company - to help with establishing and maintaining the plan. In addition, there are four initial steps for setting up an automatic enrollment 401(k) plan:
>
> - Adopt a written plan document,
> - Arrange a trust for the plan's assets,
> - Develop a recordkeeping system, and
> - Provide plan information to employees eligible to participate."[65]

The Retirement Savings Education Campaign (RSEC) was launched in 1995 "to help women, minorities and small businesses take steps to save for a secure retirement." In 1997, Congress enacted the SAVER Act (Savings Are Vital to Everyone's Retirement) that directed the U.S. Department of Labor (DOL) "to continue its retirement savings education and outreach program."[66] The DOL website provides a wide array of publications, public service announcements, and outreach to encourage employers to establish plans in the workplace. Guidance offered by DOL includes direction to more resources for employers to investigate, study, and evaluate options. For example, the website notes:

[65] U.S. Dept. of Labor, *Retirement Savings Education Campaign*, available at http://www.dol.gov/ebsa/savingmatters.htm.

[66] *Id. See also* Savings Are Vital to Everyone's Retirement Act of 1997, Sec. 3.

> "The campaign has a number of materials to assist small business owners understand the various retirement savings vehicles available and to encourage them to start such a plan for themselves and their employees including Choosing a Retirement Solution for Your Small Business, developed with the Small Business Administration, U.S. Chamber of Commerce and the Internal Revenue Service. The Department also has publications to provide important information on plans and considerations in selecting a service provider to assist in setting up the plan including 401(k) Plans for Small Businesses, SIMPLE IRA Plans for Small Businesses, SEP Retirement Plans for Small Businesses, Payroll Deduction IRAs for Small Businesses, Profit Sharing Plans for Small Businesses and Understanding Retirement Plan Fees And Expenses."[67]

Additional resources are provided directly by the financial industry. Mutual Fund families devote significant website space to tables and charts on the types of plans, applicability, IRS code references, startup, enrollment, requirements and responsibilities.[68]

The Main Street Alliance of Oregon surveyed small business owners in Oregon on whether they would support or oppose a "pooled retirement option for small business owners and their employees that would reduce administrative and financial liabilities."[69] Seventy percent responded they would support such a program. Additionally, 88 percent of respondents said they do not offer a retirement plan to employees, and 40 percent said they do not have any retirement savings for themselves. The U.S. Small Business Administration found in 2012 there was significantly less likelihood a small business owner with less than 25 employees would invest in retirement assets (IRA and Keogh accounts as well as 401(k) and Thrift accounts) for themselves.[70]

Attitudes toward Retirement Savings Options

Against this background, DHM Research conducted a survey of Oregonians and found strong support for a state-run retirement savings plan that would be self-funded and no cost to the tax payer (Chart 11).

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[67] *Id.*

[68] *See*, e.g., Fidelity https://www.fidelity.com/retirement-ira/small-business/overview; Vangard https://investor.vanguard.com/what-we-offer/small-business/compare-plans?Link=facet; T. Rowe Price http://individual.troweprice.com/public/Retail/Retirement/Small-Business-Retirement-Plans/Compare-Options.

[69] March 18, 2014 Task Force meeting. Submission by the Main Street Alliance (Oregon neighborhood business owners call for a professionally managed pooled retirement option for business owners and their employees).

[70] U.S. Small Business Administration, *Financial Viability and Retirement Assets: A Look at Small Business Owners and Private Sector Workers* (Dec. 2012).

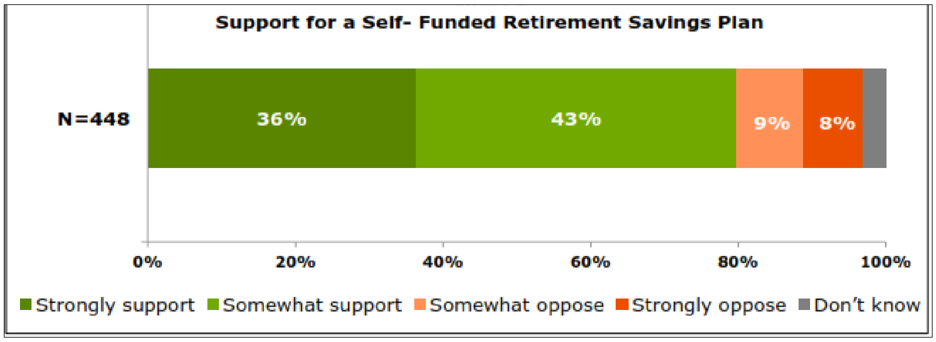

Chart 11

When asked whether elected officials should support creating a stat-run savings plan so residents can save for retirement, 72 percent of respondents agreed (Chart 12).

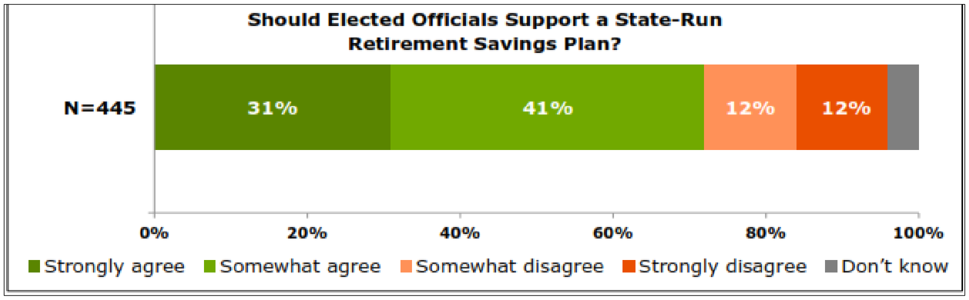

Chart 12

Another survey regarding attitudes toward automatic enrollment by AARP, found that employees who were automatically enrolled in an employer-sponsored retirement savings plan were positive about the experience, even if they ultimately opted out (Table 2).[71]

Table 2. About Automatic Enrollment	Response
Auto enrollment made saving easy	95%
I started retirement saving earlier	85%
Satisfied with process (enrolled)	97%
Satisfied with process (opted out)	90%
Glad my company offers (enrolled)	98%
Glad my company offers (opted out)	79%

Among other plan attributes, respondents from the DHM Research survey also favored portability (85%), payroll deduction (91%), and accessibility to all (90%) among several features that could be included in a program.

[71] Retirement Made Simpler (RMS) Survey by Harris Interactive (2007), available at http://retirementmadesimpler.org/Library/FINAL%20RMS%20Topline%20Report%2011-5-07.pdf.

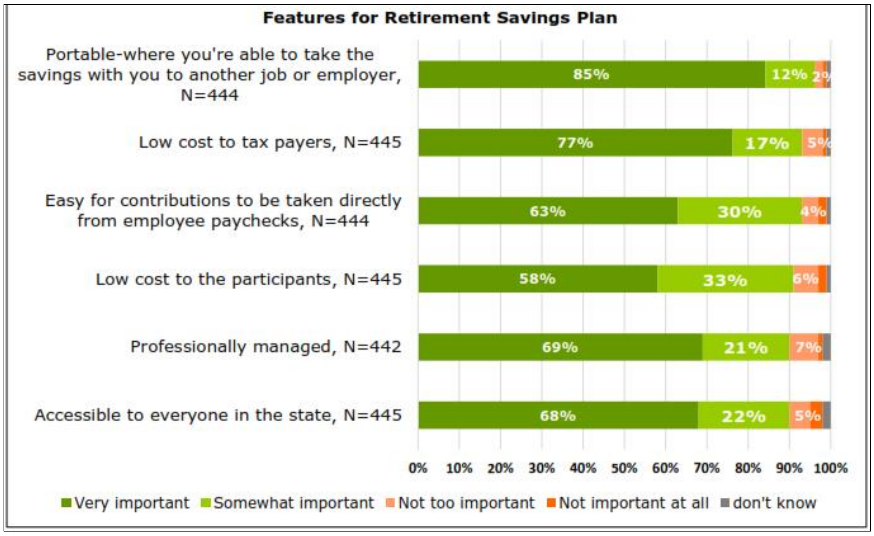

Chart 13

These ideas, among additional features, are encouraged by some in the financial industry. At the same U.S. Senate hearing on retirement security referenced above, an investment company representative included among "success drivers:" automatic enrollment, automatic escalation of percent of contribution, streamlined investment options, and low fees in an employer--managed retirement program.[72]

Tax Incentives

More work is needed to determine to what extent tax credits could or should be implemented by the State to incentivize savings. Oregon does not offer any tax incentives to encourage retirement savings other than the fact that its tax code connects to the federal tax code for pension and IRA contributions and earnings and Employee Stock Ownership Plans (ESOPs). Two federal tax credits available to Oregonians are the Saver's Credit, available to lower income retirement savers, and the Employer credit, available to offset the ordinary and necessary costs of starting a qualified employer-provided retirement savings plan. The Saver's Credit is capped at $2,000 ($4,000 if married and filing jointly). The Employer Credit is capped at $5,000 in each of the first three years of the plan.

Additional incentives could be provided to reach taxpayers with low tax liability or employers with no tax liability. For instance, if the taxpayer does not have a tax liability greater than the allowed credit, the state could provide the equivalent of the tax credit amount as a matching contribution to the person's retirement plan.

[72] *The State of U.S. Retirement Security: Can the Middle Class Afford to Retire?, Hearing before the Subcomm. on Economic Policy of the S. Comm. on Banking, Housing, and Urban Affairs*, 113th Cong. (2014) (statement of Kristi Mitchem, Executive Vice President, State Street Global Investors).

Although tax incentives provide a tool for increasing retirement savings, they come at significant cost to the state in direct revenue loss. The 2013-15 Oregon Tax Expenditure Report calculates the revenue lost from three categories of federal tax incentives:[73]

> *Pension Contributions and Earnings*: The Oregon Department of Revenue estimates the revenue impact to be $1,199,400,000 for the 2013-15 biennium. This is the net impact based on the revenue foregone in a given year by the federal exclusion of pension contributions and earnings from employee personal taxable income offset by the amount of tax paid on pension withdrawals in that year. The bulk of the revenue impact in most years is from the exclusion of employee earnings diverted into pensions. To help put the large number into perspective, the revenue loss from the home mortgage interest deduction is $1,335,100,000 for the biennium.
>
> *IRA Contribution and Earnings*: There is an estimated revenue loss to the State of Oregon of $14,149,700,000 for the 2013-15 biennium. The traditional IRS allows for tax deductible contributions and tax-deferred earnings, while the Roth IRA allows for tax-free withdrawals. The deduction can be taken without itemizing.
>
> *Employee Stock Ownership Plans*: There is an estimated loss to the State of Oregon of $7,500,000 for the 2013-15 biennium due to the federal exclusion of employer contributions for the ESOP to purchase stock of the benefit of their employee. Employees are taxed on their contributions and earnings when they are distributed.

Educational and Marketing Strategies

Oregon has education standards for economics and financial literacy that begin in kindergarten and continue at each grade level through high school. The Oregon Social Sciences Academic Content Standards for Economics and Financial Literacy begin at the earliest level through such instruction as identifying money and explaining how it is used. In High School, the curriculum includes financial literacy lessons related to retirement savings. The standard reads: "Compare and contrast different options for long term investment (e.g., stocks, bond, CDs, mutual funds IRA, 401k, pension plans, Social Security)."[74]

These Oregon Social Science Core Standards should be used to emphasize and tie the application of these financial literacy elements to savings for retirement income, options for savings, and retirement cost planning (e.g., HS.45. "explain how to prepare a budget that allows for 'living within one's means.'"), and other related standards (e.g., HS.37. re insurance; HS.40. re investment opportunities and market data).

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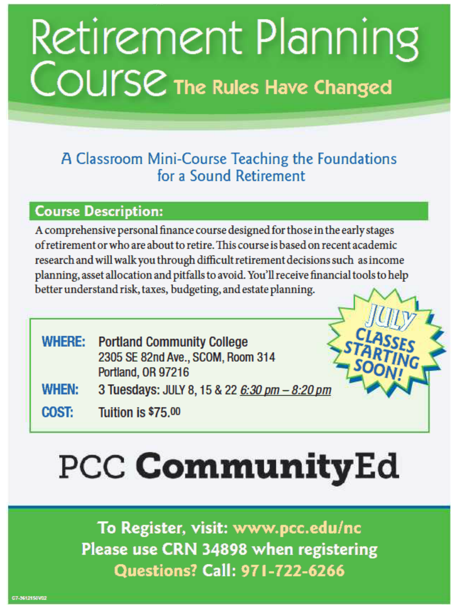
[73] State of Oregon, *2013-15 Tax Expenditure Report*, available at http://www.oregon.gov/dor/STATS/docs/ExpR13-15/tax-expenditure-report_2013-15.pdf.

[74] Oregon High School Content Standard Code 42, Oregon State Board of Education.

Outside of the classroom, the U.S. Department of Labor and mutual fund families have extensive self-directing components of their websites that provide information including FAQs, minimum dollar amounts for opening an account, annual financial charges, minimum dollar amount for subsequent contributions, and cost of any applicable annual fees or charges.[75] The websites also offer signups for individual and small business investment products.



Source: *The Oregonian*, July 7, 2013

Many Oregon Community Colleges also offer community education programs on subjects including retirement savings as the flyer to the left illustrates.

The industry, as well, spends approximately $1.14 billion on advertising its investment and retirement products to inform consumers.[76]

Experts in behavioral economics and finance who study the effects of education on financial savings and investment note that financial "education can help but it takes a lot of effort and follow up" and caution that it is often only "marginally effective."[77]

Retirement Savings and Reliance on Public Assistance

As a result of the savings gap facing Oregonians, many must rely on public assistance. Oregonians use several public assistance programs including Supplemental Nutritional Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF); Long-Term Care (LTC), and Medical Assistance Program (MAP).

The Oregon Department of Human Services reports that, for 2013, Oregonians accessed these programs as follows:[78]

> SNAP: The number of Oregonians aged 60 and older receiving benefits equaled 100,301 in 2013, with those over age 65 totaling 60,944. Those over 60 represented nearly 10 percent of those on SNAP.
>
> TANF: This assistance program is targeted at needy families with children, but some seniors are eligible to receive related Medicaid services.

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[75] *See* Appendix C.
[76] Ad Age Insights, *Financial Services Marketing* (Oct. 2012), available at http://adage.com/images/bin/pdf/AdAgeFinancial%20ServicesReport2012.pdf.
[77] Chalmers and Harbaugh, *supra* note 29.
[78] April 29, 2014 Task Force meeting. Presentation by Oregon Dept. of Human Services, *Participation and Cost Among Retirement Age Oregonians*.

LTC: The assistance is provided through programs of in-home case, community based care, and nursing facility care. Chart 2 illustrates utilization and cost of LTC. [79]

Long Term Care Type	Avg Cost Per-Case	Avg Monthly Caseload, Age 60 and Older	Avg Monthly Caseload, Age 65 and Older	Cost Per-Month, 60 and Older	Cost Per-Month, 65 and Older
In Home	$1,866	8,573	6,349	$15,999,624	$11,849,062
Community Based	$2,116	10,310	9,554	$21,814,310	$20,214,735
Nursing Facility	$7,245	3,974	3,607	$28,789,041	$26,132,445
Total Long Term Care		22,857	19,510	$66,602,975	$58,196,243

Chart 14

MAP: of the approximately 1.07 million receiving medical assistance through the Oregon Health Authority in calendar year 2013, 9.2% of whom were 60 or older, with 6.9% age 65 or older.[80] Chart 3 highlights the distribution of MAP assistance to populations 60 and older and 65 and older. [81]

Unique Count of Cases by MAP Category	60 & Older		65 & Older	
	Frequency	Percent	Frequency	Percent
Old Age Assistance	42,366	42.8%	42,308	56.8%
Dual (Medicare/Medicaid) Eligible	24,395	24.4%	20,271	27.2%
Aid to Blind & Disabled	16,014	16.2%	3,440	4.6%
Other*	8,469	8.6%	6,646	8.9%
OHP Standard	5,769	5.8%	641	0.9%
Citizen/Alien Waived Emergency Medical	1,198	1.2%	1,032	1.4%
TANF Related Medical	429	0.4%	59	0.1%
Breast and Cervical Cancer Program	271	0.3%	38	0.1%
Total	98,911	100.0%	74,435	100.0%

*"Other" is primarily made up of pending cases that are not yet fully enrolled, or are in the process of changing status.

Chart 15

[79] *Id.*
[80] *Id.*
[81] *Id.*

Oregon Retirement Savings Task Force
Recommendations

General Overview

The Oregon Retirement Savings Task Force finds that the national retirement savings crisis deeply affects far too many Oregonians. According to a 2011 study by the Oregon State Treasury, roughly 45 percent of employed Oregonians do not have access to employer-sponsored retirement plans. Of those with access to an employer-sponsored plan, nearly a quarter do not enroll. And many Oregonians simply do not save enough. More than half of Oregon workers have less than $25,000 in retirement savings and more than a quarter have saved less than $1,000.

While retirement security has historically been seen as a matter of shared, as well as personal, responsibility, it is rapidly becoming a broad concern for policymakers. Widespread failure to save adequately for retirement will likely lead to increased burdens on costly social services.

The Retirement Savings Task Force believes that the State should be a leader in addressing this crisis and recommends to the Oregon Legislature the creation of a retirement security program encompassing the following:

Retirement Savings Plan Characteristics

To overcome the challenges faced by Oregonians who want to save and prevent the potential strain on public resources resulting from inadequate saving rates, the Task Force recommends developing and making available a retirement savings plan for all Oregonians lacking access to a plan at their workplace. The plan should have the following nine characteristics:

1. **Voluntary participation with auto-enroll.** Employees should be automatically enrolled with the right to opt-out. Employees should be notified of and provided financial education about their enrollment upon employment.
2. **Auto-escalation of contribution levels with employee control.** Employees should have the opportunity to choose their initial and ongoing automatic contribution rates or rely on the default rates. The default rates for employee contributions should be automatically increased over time.
3. **Contributions from payroll deductions.** Defined contributions should be made from employee payroll deductions. Existing payroll systems should be used wherever possible to reduce costs. Persons who are self-employed or unemployed should also be able to make contributions.
4. **Tax benefit.** The plan should meet the qualification requirements to receive federal and state tax deductions for the participants.
5. **No required employer contribution.** Employers should not be required to contribute to employee accounts. If possible, voluntary employer contribution arrangements on behalf of employees should be accepted.

6. **Reports to savers.** Accounts should be individual and account information should be regularly reported to each participant.
7. **Portability.** Accounts should be portable, allowing savers to maintain their accounts from one job to the next and during periods of unemployment or self-employment.
8. **Pooled and professionally managed.** Funds should be pooled and professionally managed to maximize returns for participants.
9. **Self-sustaining.** The costs to manage the accounts should be paid from employee payroll contributions and/or account earnings.

Program Governance and Management

The Task Force recommends empanelling a state board responsible for sponsoring and overseeing the program outlined in these recommendations. The Legislature should provide appropriations and contracting authority to the board to conduct this work.

The board should consist of members representing private, for-profit entities; private, tax-exempt entities; consumers who would enroll in the plan; the Legislature, the Office of the Governor, and the Office of the Treasurer. Alternatively, the existing Retirement Savings Task Force could continue to serve in lieu of the creation of a new board or until a new board is appointed.

The Task Force stands ready to receive direction from the Legislature regarding any work it would like performed.

Additional Program Components

The Task Force acknowledges that more effort is needed to ensure all Oregonians have access to a retirement savings plan with the above characteristics. The Task Force recommends further investigation and analysis in the following areas:

Market Research

We recommend that the Legislature appropriate funds for a Request for Information (RFI) or Request for Proposal (RFP) to receive input from financial service providers, experts, and scholars to conduct a market analysis and program refinement and delivery. The RFI or RFP should be used to thoroughly understand the extent to which financial firms currently provide retirement savings plans with the nine recommended characteristics noted above and what impediments exist to enhance existing products. The RFI should also investigate market capacity and industry ability to expand traditional employer-based coverage into underserved markets, especially minorities, women, and low-wage workers. The plan described above should not have the effect of discouraging employers from sponsoring qualified plans under the existing federal system.

Small Business Outreach

Under this program, employers should be responsible for distributing retirement plan materials produced by the plan provider to their employees and providing employee payroll information to the plan provider. As explained in the Report, some small businesses report that they do not sponsor a retirement plan because the additional administrative burdens stretch their resources and/or exceed their expertise. The Task Force recommends undertaking a small business outreach program to better understand the real costs and other limitations faced by small business offering retirement plans and requests an appropriation for this purpose. The State should make efforts to partner with existing business organizations to make information available to small business owners regarding the plan and other employer-based retirement savings options.

Tax Credits and Other Incentives

The information gathered from Small Business Outreach should be forwarded to appropriate legislative committees and used by the Legislature when considering whether tax credits or comparable incentives to offset the direct costs to employers, including nonprofits, could boost retirement savings. We recommend that any legislative consideration of incentives for employers include similar incentives for savers to boost retirement savings.

Legal Guidance

The most significant unanswered legal question is whether the state's sponsorship of any retirement savings strategy complies with the federal Employee Retirement Income Security Act (ERISA) and what preemption issues, if any, preclude the State from acting in this area. To ensure that the program implemented complies with ERISA and that account holders receive the tax benefits associated with retirement savings under the Internal Revenue Code, the Task Force recommends that the Legislature appropriate funds for the State to obtain guidance from legal experts in coordination with other states facing similar ERISA concerns and other outstanding legal questions. This legal counsel should be used to develop a plan with enough definition and certainty to receive an expedited opinion from the US Department of Labor.

Financial Literacy

While education alone is not enough to address the retirement security crisis, efforts to increase participation in retirement savings plans should be accompanied by increased financial literacy education and financial values education. The Task Force recommends additional research into the preferable components of an education program, including inclusion in public schools, employee orientations, small business resources, and public awareness campaigns.

Limitations

It is the intention of the Task Force that all of the above recommendations comply with state and federal law. Any recommendation that the Legislature deems extends beyond what is permissible under current law should not affect the other recommendations, which should remain in effect as provided.

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(See Also Appendices A, C and E)

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APPENDIX A

Presentations and Speakers

April 29, 2014

Report on California Secure Choice Retirement Savings Investment Board
Grant Boyken, Acting Director of Board

Human Services Participation and Cost Among Retirement Age Oregonians
Gregory Tooman, Office of Forecasting Research, Oregon Health Authority, Oregon Department of Human Services

What's available for Oregon participants and employers
Harley Spring, Vice President, Retirement Plan Services, Standard Insurance, and Task Force Member

May 14, 2014

Retirement Savings for Women and Minority Workers
Dr. Mary King, Professor of Economics, Portland State University

Best practices to increase levels of retirement savings by private-sector workers
David C. John, Senior Strategic Policy Advisor, AARP Public Policy Institute and Deputy Director of the Retirement Security Project at the Brookings Institution

June 10, 2014

The Employee Retirement Income Security Act (ERISA)
Judy Owens, Seattle District Office Supervisor, Employee Benefits Security Administration, U.S. Department of Labor

Bill Pierron, Supervisory Benefits Advisor, Employee Benefits Security Administration, U.S. Department of Labor

Staff from the Office of Regulations and Interpretations, Employee Benefits Security Administration, U.S. Department of Labor

Oregon Savings Growth Plan
Gay Lynn Bath, Manager

July 15, 2014

"Earn and Save!" Suggested fourth grade financial savings education program

Bert Guptill, Founder, High Option Retirement Planners, LLC Task Force Member, and Task Force Member

Research into best practices to increase participation in savings plans

Glenn Dial, Managing Director, Head of U.S. Retirement Security Allianz Global Investors

Dr. John Chalmers, Associate Professor of Finance, University of Oregon

Dr. Bill Harbaugh, Professor of Economics, University of Oregon

Testimony and Comments

AARP
Joyce DeMonnin, Outreach Director (March 18, 2014)
Daniel Rodriguez, Volunteer Executive Council (May 14, 2014)
Sarah Mysiewicz, Senior Legislative Representative (June 10, 2014)
Jerry Cohen, State Director (August 6, 2014)

American Association of University Women
Marcia Kelley, Public Policy Advocate (March 18, 2014)

American Council of Life Insurers
John Mangan, Regional Vice President, State Relations (April 29, July 15 and August 6, 2014)

Causa
Andrea Miller, Executive Director (June 10, 2014)

Family Forward Oregon
Lili Hoag, Policy Director (March 18 and July 15, 2014)

Financial Pathways Group
John L. Thomas, President (April 29, 2014)

The Main Street Alliance of Oregon
Jim Houser, Co-Chair (June 10, 2014)
Stephen Michael, State Director (July 15, and March 18, 2014)

National Association of Independent Businesses
Jan Meekcoms, State Director (March 18, 2014)

National Association of Insurance and Financial Advisors-Oregon
E. Sven Anderson, President (March 18 and July 15, 2014)
Roger Beyer, Lobbyist (March 18, 2014)

National Institute on Retirement Security
Nari Rhee, Manager of Research (August 6, 2014)

Oregon Nurses Asssciation
Sarah Baessler, Director of Health Policy (June 10, 2014)

Mr. Rooter Plumbing
Steve Ferree, Owner (June 10, 2014)

Steele Insurance Agency
Zachary Steele, Owner (June 10, 2014)

Service Employees International Union
Matt Swanson, Executive Director (March 18, 2014)

Tax Fairness Oregon
Jody Wiser, Chair (June 10, 2014)

Urban League of Portland
Michael Alexander, President and CEO (June 10, 2014)

APPENDIX B

Glossary of Key Mutual Fund Terms

U.S. Securities and Exchange Commission

12b-1 Fees — fees paid by the fund out of fund assets to cover the costs of marketing and selling fund shares and sometimes to cover the costs of providing shareholder services. "Distribution fees" include fees to compensate brokers and others who sell fund shares and to pay for advertising, the printing and mailing of prospectuses to new investors, and the printing and mailing of sales literature. "Shareholder Service Fees" are fees paid to persons to respond to investor inquiries and provide investors with information about their investments.

Account Fee — a fee that some funds separately impose on investors for the maintenance of their accounts. For example, accounts below a specified dollar amount may have to pay an account fee.

Back-end Load — a sales charge (also known as a "deferred sales charge") investors pay when they redeem (or sell) mutual fund shares, generally used by the fund to compensate brokers.

Classes — different types of shares issued by a single fund, often referred to as *Class A* shares, *Class B* shares, and so on. Each class invests in the same "pool" (or investment portfolio) of securities and has the same investment objectives and policies. But each class has different shareholder services and/or distribution arrangements with different fees and expenses and therefore different performance results.

Closed-End Fund — a type of investment company that does not continuously offer its shares for sale but instead sells a fixed number of shares at one time (in the initial public offering) which then typically trade on a secondary market, such as the New York Stock Exchange or the NASDQ Stock Market. Legally known as a "closed-end company."

Contingent Deferred Sales Load — a type of back-end load, the amount of which depends on the length of time the investor held his or her shares. For example, a contingent deferred sales load might be (X)% if an investor holds his or her shares for one year, (X-1)% after two years, and so on until the load reaches zero and goes away completely.

Conversion — a feature some funds offer that allows investors to automatically change from one class to another (typically with lower annual expenses) after a set period of time. The fund's prospectus or profile will state whether a class ever converts to another class.

Deferred Sales Charge — see "back-end load" (above).

Distribution Fees — fees paid out of fund assets to cover expenses for marketing and selling fund shares, including advertising costs, compensation for brokers and others who sell fund shares, and payments for printing and mailing prospectuses to new investors and sales literature prospective investors. Sometimes referred to as "12b-1 fees."

Exchange Fee — a fee that some funds impose on shareholders if they exchange (transfer) to another fund within the same fund group.

Exchange-Traded Funds — a type of an investment company (either an open-end company or UIT) whose objective is to achieve the same return as a particular market index. ETFs differ from traditional open-end companies and UITs, because, pursuant to SEC exemption orders, shares issued by ETFs trade on a secondary market and are only redeemable from the fund itself in very large blocks (blocks of 50,000 shares for example).

Expense Ratio — the fund's total annual operating expenses (including management fees, distribution (12b-1) fees, and other expenses) expressed as a percentage of average net assets.

Front-end Load — an upfront sales charge investors pay when they purchase fund shares, generally used by the fund to compensate brokers. A front-end load reduces the amount available to purchase fund shares.

Index Fund — describes a type of mutual fund or Unit Investment Trust (UIT) whose investment objective typically is to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, the Russell 2000 Index, or the Wilshire 5000 Total Market Index.

Investment Adviser — generally, a person or entity who receives compensation for giving individually tailored advice to a specific person on investing in stocks, bonds, or mutual funds. Some investment advisers also manage portfolios of securities, including mutual funds.

Investment Company — a company (corporation, business trust, partnership, or limited liability company) that issues securities and is primarily engaged in the business of investing in securities. The three basic types of investment companies are mutual funds, closed-end funds, and unit investment trusts.

Load — see "Sales Charge."

Management Fee — fee paid out of fund assets to the fund's investment adviser or its affiliates for managing the fund's portfolio, any other management fee payable to the fund's investment adviser or its affiliates, and any administrative fee payable to the investment adviser that are not included in the "Other Expenses" category. A fund's management fee appears as a category under "Annual Fund Operating Expenses" in the Fee Table.

Market Index — a measurement of the performance of a specific "basket" of stocks considered to represent a particular market or sector of the U.S. stock market or the economy. For example, the Dow Jones Industrial Average (DJIA) is an index of 30 "blue chip" U.S. stocks of industrial companies (excluding transportation and utility companies).

Mutual Fund — the common name for an open-end investment company. Like other types of investment companies, mutual funds pool money from many investors and invest the money in stocks, bonds, short-term money-market instruments, or other securities. Mutual funds issue redeemable shares that investors purchase directly from the fund (or through a broker for the fund) instead of purchasing from investors on a secondary market.

NAV (Net Asset Value) — the value of the fund's assets minus its liabilities. SEC rules require funds to calculate the NAV at least once daily. To calculate the NAV per share, simply subtract the fund's liabilities from its assets and then divide the result by the number of shares outstanding.

No-load Fund — a fund that does not charge any type of sales load. But not every type of shareholder fee is a "sales load," and a no-load fund may charge fees that are not sales loads. No-load funds also charge operating expenses.

Open-End Company — the legal name for a mutual fund. An open-end company is a type of investment company

Operating Expenses — the costs a fund incurs in connection with running the fund, including management fees, distribution (12b-1) fees, and other expenses.

Portfolio — an individual's or entity's combined holdings of stocks, bonds, or other securities and assets.

Profile — summarizes key information about a mutual fund's costs, investment objectives, risks, and performance. Although every mutual fund has a prospectus, not every mutual fund has a profile.

Prospectus — describes the mutual fund to prospective investors. Every mutual fund has a prospectus. The prospectus contains information about the mutual fund's costs, investment objectives, risks, and performance. You can get a prospectus from the mutual fund company (through its website or by phone or mail). Your financial professional or broker can also provide you with a copy.

Purchase Fee — a shareholder fee that some funds charge when investors purchase mutual fund shares. Not the same as (and may be in addition to) a front-end load.

Redemption Fee — a shareholder fee that some funds charge when investors redeem (or sell) mutual fund shares. Redemption fees (which must be paid to the fund) are not the same as (and may be in addition to) a back-end load (which is typically paid to a broker). The SEC generally limits redemption fees to 2%.

Sales Charge (or "Load") — the amount that investors pay when they purchase (front-end load) or redeem (back-end load) shares in a mutual fund, similar to a commission. The SEC's rules do not limit the size of sales load a fund may charge, but FINRA rules state that mutual fund sales loads cannot exceed 8.5% and must be even lower depending on other fees and charges assessed.

Shareholder Service Fees — fees paid to persons to respond to investor inquiries and provide investors with information about their investments. See also "12b-1 fees."

Statement of Additional Information (SAI) — conveys information about an open- or closed-end fund that is not necessarily needed by investors to make an informed investment decision, but that some investors find useful. Although funds are not required to provide investors with the SAI, they must give investors the SAI upon request and without charge. Also known as "Part B" of the fund's registration statement.

Total Annual Fund Operating Expense — the total of a fund's annual fund operating expenses, expressed as a percentage of the fund's average net assets. You'll find the total in the fund's fee table in the prospectus.

Unit Investment Trust (UIT) — a type of investment company that typically makes a one-time "public offering" of only a specific, fixed number of units. A UIT will terminate and dissolve on a date established when the UIT is created (although some may terminate more than fifty years after they are created). UITs do not actively trade their investment portfolios.

APPENDIX C
Retirement Savings Education Web Sites[82]

In addition to the materials cited or referenced, including the various mutual fund families' information and web sites, there are a variety of additional information and instructive sources.

U.S. Department of Labor
Retirement Savings Education Campaign: "Saving Matters"
Wide range of related topics (also available in Spanish) (www.dol.gov/ebsa/savingmatters.html)

U.S. Financial Literacy Commission
(www.mymoney.gov)

National Endowment for Financial Education
(www.myretirementpaycheck.org)

AARP
"Topics in Money and Work" (www.aarp.org)

American Council of Life Insurers
Research, news articles, checklists (www.acli.com)

America Saves
Savings education program sponsored by the Consumer Federation of America (www.americasaves.org)

American Savings Education Council
Ball Park Estimate Easy-to-use One Page Worksheet (www.choosetosave.org/asec/)

CNN Money
Retirement Planner (www.cnnmoney.com)

National Association of Securities Dealers/FINRA
Financial Calculators (www.finra.org/Investors/SmartInvesting/Retirement)

[82] Suggested by John Mangan, Regional Vice President, State Relations, American Council of Life Insurers, April 29, 2014.

APPENDIX D
Examination by Other States

Listed are summaries of activities by other states on the subject of state sponsored retirement savings programs. The summaries do not reflect all details.[83]

Enacted Legislation

California (SB 1234 2012). Established California Secure Choice Retirement Savings Trust Act. Businesses, of five or more employees, that do not already offer a retirement plan will be required to enroll employees. Employers' only required to assist employees by use payroll-deduction contributions. Employees may opt-out. Investments to be professionally managed by the California Public Employees' Retirement System or another contracted organization. Benefit would be guaranteed through underwriting by private insurers, and not by taxpayers. New California Secure Choice Retirement Savings Investment Board working on the market analysis and the feasibility study required before the new savings accounts can be established.

Connecticut (SB 249 2014). Adopted Act Promoting Retirement Savings and dedicated $400,000 toward establishing Connecticut Retirement Security Board. Board directed to conduct a market feasibility study and create a comprehensive implementation plan for a new state-administered retirement program, to be submitted to the Governor and General Assembly for final approval by April 2016. Would create automatic IRA administered by appointed trust fund board. Covers employers with five or more workers would be required to participate unless they offer a different retirement savings plan to their employees. Retirement to be paid as lifetime annuity with option for lump-sum.

Massachusetts (HR 3754 2012). Adopted Act Providing Retirement Options for Nonprofit Organizations. Allows State Treasurer to sponsor retirement savings plan for workers at small non-profit organizations. Plan marketed to nonprofits with 20 or fewer employees. Plan would be a tax-qualified, defined contribution with investment options available to employees. Contributions made by workers, their employers, or both. Establishes five-member non-profit "defined contribution committee" to assist the Treasurer in developing policy and providing technical advice for the plan. Plan developed and pending before the Internal Revenue Service for final authorization.

Introduced, Pending Legislation

[83] Compiled from information available from the Pension Rights Center, a 501(c)(3) non-profit, charitable organization, and the National Conference of State Legislatures. See, respectively: http://www.pensionrights.org/learn-issues/legislation; and http://www.ncsl.org/research/labor-and-employment/state-sponsored-retirement-plans-for-nonpublic.aspx.

Arizona (HB 2063 2014). Would establish a trust program providing payroll deposit retirement savings arrangements available to private employers with five or more employees. Assigned to two House committees.

Colorado (HB 1377 2014). Would create Retirement Security Task Force to make recommendations for increasing number of Coloradans employed in private sector enrolled investing for retirement. Passed House. Failed in Senate.

Illinois (SB 2758 2014). Would establish Illinois Secure Choice Savings Program providing payroll-deduction IRA for employees of employers not offering any other workplace retirement savings program. Assets go into single, pooled fund managed by Treasurer and a qualified board. Employees of business of at least in operation and 25 or more employees to be automatically enrolled unless employer offers another retirement savings option. Employees can opt-out. Employees decide contribution level and choose among investment options. Passed by Senate. Pending in House. (Previous bills: SBs 1844,3278; HBs 1672,4472 and 4497 2011-12)

Indiana (SB 66 2014). Would establish state-assisted retirement plan to encourage increased rate of savings. Establishes Indiana Retirement Savings Board to oversee the plan. Participation voluntary for both employers and employees. Limited to employers who do not offer employees another retirement plan. Also provides tax credit, not to exceed $250, for payroll contributions by participant who has not previously participated in a pension or retirement plan. Voted out of one committee and pending before another.

Maine (LD 1473 2013). Would create a public option pension system. Committee on Appropriations and Financial Affairs, after work sessions, did not support.

Maryland (SB 921 and HB 1251 2014). The bill would provide a retirement savings plan for employees of private-sector employers, with at least five employees, that do not provide an employer-sponsored retirement or pension plan. Eligible employers would be required to make the program available to their employees through payroll deduction. Employees required to participate unless they opt out. Plan must secure tax-favored qualification from the Internal Revenue Service and determination that it is not subject to Employee Retirement Income Security Act before taking effect. Bill was pending when the General Assembly adjourned for year.

Governor on January 1, 2014 signed executive order creating "Task Force to Ensure Retirement Security for All Marylanders." Task Force directed to examine improving retirement security for private-sector employees, and recommend specific steps by State to ensure opportunity for a secure retirement is offered to all private-sector workers. The Task Force to report by December 4, 2014; will disband on February 15, 2015, unless Governor determines more study is needed and extends. (Previous bills: SB 728 and 2006; House Bill 1414 2008)

Minnesota (SF 2078 2014). Minnesota Secure Choice Retirement Savings Plan Establishment, would require Commissioner of Management and Budget to report to the legislature by

January, 2015 on the potential creation of state-administered retirement savings plan for employees without access to another retirement savings plan. Passed by two Senate committees and pending in a third.

Ohio (SB 199 2013). Would create Ohio Secure Choice Retirement Savings Program. Certain private sector employers would be required to offer employees payroll deposit retirement savings arrangement. No action taken since introduction.

Vermont (S 193 2014). Creates interim Public Retirement Plan Study Committee to evaluate the feasibility of establishing a public retirement plan; and whether private-sector employers, of certain size, who do not offer alternative retirement plan should be required to offer public retirement plan through a voluntary payroll deduction private-sector employees not covered by alternative retirement plan. Passed by one committee. Pending before another. Governor signed into law H 885 (Act 0179), legislation providing Appropriations bill for Vermont agencies signed by Governor included $5,000 for interim study on feasibility of establishing public retirement plan. (Previous bills: 2006 State Treasurer Retirement Savings Plan Proposal

Washington (HB 2474 and SB 6294 2014). Bill (Save Towards a Retirement Today (STaRT)) creates voluntary retirement savings account for small-business owners and employees. Employer contribution not required. No minimum contribution set for employees. Accounts are portable. Program to be operated by Washington State Investment Board. House bill passed House. Pending in Senate. (Previous bills: SB 5791 and HB 1893 2009-2010; SB 6067 and HB 2044 and 2008)

West Virginia (HB 4375 and SB 488 2014). Creates West Virginia Voluntary Employee Retirement Accounts Program. Passed by House. Pending in Senate when the legislature adjourned for the year. (Previous bills: HB 2423 2012; and SCR 6 2008)
Wisconsin (SB 611 (LRB 3894-1) 2014). Would create Wisconsin private retirement security board to study the feasibility of establishing private security retirement plan for private-sector workers and design plan to submit to the legislature. Pending when legislature adjourned for the year.

Other State's Previous Legislative Proposals

- Michigan HB 4135 (2007)
- New York AB 3719 (2011)
- Pennsylvania HR 5696 (2009); HB 1669 (2007)
- Rhode Island HR 5696; SR 453 (2009)
- Virginia HB 2026 (2009)

APPENDIX E
Examination by U.S. Congress

"Women's Retirement Security." Joint Economic Committee hearing, May 21, 2014. Proceedings at: http://www.gpo.gov/fdsys/pkg/CHRG-113shrg88948/pdf/CHRG-113shrg88948.pdf

"The State of U.S. Retirement Security: Can the Middle Class Afford to Retire?" Senate Committee on Banking, Housing, and Urban Affairs Subcommittee on Economic Policy hearing March 12, 2014. Proceedings at:
http://www.banking.senate.gov/public/index.cfm?FuseAction=Hearings.Hearing&Hearing_ID=8c65ca92-9372-400b-a4a4-387c95558b04

"State of the American Senior: The Changing Retirement Landscape for Baby Boomers." Senate Special Committee on Aging. 25 September 2013. http://www.aging.senate.gov/hearings/state-of-the-american-senior-the-changing-retirement-landscape-for-baby-boomers

"Enhancing Women's Retirement Security." Senate Special Committee on Aging. 25 July 2012. http://www.aging.senate.gov/hearings/enhancing-womens-retirement-security

"Retirement security; Women Still Face Challenges." United States Government Accountability Office Report to the Chairman, Special Committee on Aging, U.S. Senate. July 2012. http://www.aging.senate.gov/imo/media/doc/hr250gao.pdf

"Retirement Savings for Low-Income Workers." U.S. Senate Committee on Finance Subcommittee on Social Security, Pensions and Family Policy. 26 February 2014. http://www.finance.senate.gov/hearings/hearing/?id=f74447f4-5056-a032-5234-90cc81093913

"The myRA Retirement Savings Initiative." Mark J. Iwry, Senior Advisor to the Secretary and Deputy Assistant Secretary for Retirement and Health Policy, U.S. Treasury

U.S. Senate Finance Committee Subcommittee on Social Security, Pensions and Family Policy. 26 February 2014. http://www.finance.senate.gov/imo/media/doc/2-26-2014%20SFC%20sc%20Social%20Security%20Iwry%20myRATestimony%20FINAL.pdf

"Introduction to Multiemployer Plans." Pension Benefit Guaranty Corporation. U.S. Government Agency. http://www.pbgc.gov/prac/multiemployer/introduction-to-multiemployer-plans.html

APPENDIX F

77th OREGON LEGISLATIVE ASSEMBLY--2013 Regular Session

Enrolled
House Bill 3436

Sponsored by Representative BAILEY, Senators BEYER, ROSENBAUM; Representatives BARTON, CLEM, DOHERTY, GARRETT, READ, REARDON, VEGA PEDERSON, WILLIAMSON, Senators DINGFELDER, EDWARDS

CHAPTER ....

AN ACT

Relating to retirement investments; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. (1) The Oregon Retirement Savings Task Force is established. The task force consists of seven members as follows:

(a) The State Treasurer or the designee of the State Treasurer.

(b) The following members appointed by the Governor:

(A) Two representatives of employers.

(B) Two members who have experience in the financial services industry or in pension plans.

(C) Two public members.

(2) If there is a vacancy for any cause, the Governor shall make an appointment to become immediately effective.

(3) The Governor shall select one of the members of the task force as chairperson.

(4) A majority of the members of the task force constitutes a quorum for the transaction of business.

(5) Members of the task force are not entitled to compensation or reimbursement for expenses and serve as volunteers on the task force.

(6) The Legislative Administration Committee shall provide staff support to the task force.

(7) All agencies, departments and officers of this state are directed to assist the task force in the performance of its functions and to furnish such information and advice as the members of the task force consider necessary to perform their functions.

SECTION 2. (1) The Oregon Retirement Savings Task Force established in section 1 of this 2013 Act shall develop recommendations for increasing the percentage of Oregonians saving for retirement or enrolled in a retirement plan, and for increasing the amount of those individual savings.

(2) In developing its recommendations, the task force shall consider the following factors and any other factors the task force finds relevant:

(a) The access residents of this state have to employer-sponsored retirement plans and individual retirement products.

(b) The types of employer-sponsored retirement plans and individual retirement products offered in this state.

(c) Estimates of the average amount of savings and other financial resources residents of this state have upon retirement.

(d) Estimates of the average amount of savings and other financial resources that are recommended for a financially secure retirement in this state.

(e) The level of reliance retired residents of this state have on public assistance benefits as a result of insufficient retirement savings or other income.

(f) Tax incentives currently offered in this state to encourage retirement savings.

(g) Statistics on the use and effectiveness of tax incentives available to residents of this state.

(h) Specific educational and marketing strategies that the State of Oregon and private entities can pursue to encourage businesses and residents of this state to increase awareness of and participation in retirement savings plans.

(i) Possible structures of plans or products that could be offered or facilitated by this state and the advantages or disadvantages of each type of plan or product.

(j) Costs of the various structures of available plans and products and an evaluation of the value of the benefits when compared with those costs.

(k) The feasibility of creating of a public-private partnership in this state that offers plans or products directly to individuals.

(L) Adoption and expansion of successful approaches used to increase participation in both employer-sponsored retirement plans and individual retirement products.

(3) The task force may not:

(a) Recommend plans or products that would subject the State of Oregon or private sector employers to responsibilities under the federal Employee Retirement Income Security Act of 1974, or that would result in tax treatment that is less favorable than that provided under existing provisions of the Internal Revenue Code.

(b) Recommend plans or products that would create any guarantee by the State of Oregon, or cause the State of Oregon to incur any liability or obligation for payment of savings or benefits earned by plan participants.

(c) Recommend plans or products that would create any financial obligation, liability or guarantee on the part of private sector employers whose employees participate in the plan, with regard to investment or investment performance of the plan.

SECTION 3. On or before September 1, 2014, the Oregon Retirement Savings Task Force established in section 1 of this 2013 Act shall report to an appropriate interim committee of the Legislative Assembly on the recommendations developed under section 2 of this 2013 Act.

SECTION 4. Sections 1 to 3 of this 2013 Act are repealed on January 2, 2017.

SECTION 5. This 2013 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2013 Act takes effect on its passage.

Passed by House June 24, 2013

Repassed by House July 7, 2013

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Ramona J. Line, Chief Clerk of House

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Tina Kotek, Speaker of House

Passed by Senate July 7, 2013

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Peter Courtney, President of Senate

Received by Governor:

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Approved:

........................M.,..., 2013

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John Kitzhaber, Governor

Filed in Office of Secretary of State:

........................M.,..., 2013

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Kate Brown, Secretary of State