





# DISCUSSION ON PRIVATE SECTOR RETIREMENT SAVINGS

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# State Payroll-Deduction Retirement Savings Programs

	CA	СТ	IL	MA	MD	OR
Program Type	Payroll deduction to a traditional IRA	Payroll deduction to a Roth IRA;* option to change to a traditional IRA	Payroll deduction to a Roth IRA	401(k) plan subject to ERISA	Payroll deduction to an IRA	Payroll deduction to a Roth IRA
Covered Employers	Mandatory for all employers with 5+ employees that do not offer a plan	Mandatory for all employers with 5+ employees that do not offer a plan	Mandatory for all employers with 25+ employees that do not offer a plan	Voluntary for nonprofit organizations with 20 or fewer employees	Mandatory for all employers with 10+ employees that do not offer a plan	Mandatory for all employers that do not offer a plan
Automatic Enrollment	3% of pay with opt-out	3% of pay with opt-out	3% of pay with opt-out	6% of pay (unless employer chooses 4%) with auto- escalation up to 10% of pay	Default % determined by Board with opt-out	5% of pay with opt-out
Investment Structure	Target-date funds and other pooled accounts	Recommend 50% + of account in life-income investment	Target-date funds and other pooled accounts	Pooled accounts	To be determined by Board	Target-date funds and capital preservation funds
Current Status of Program	Legislation enacted 9/2012 established Board; legislation enacted 9/2016 to approve program	Legislation enacted 5/2016 to establish program with parameters	Legislation enacted 1/2015 to establish Board to administer plan with parameters	Legislation enacted 03/2012 to establish program administered by State Treasurer	Legislation enacted 5/2016 to establish program and incentive for employers	Legislation enacted 6/2015; program to begin mid-2017

<sup>\*</sup> Contributions to Roth IRAs are not tax deductible, but withdrawals are tax exempt provided certain criteria are met. This savings vehicle is named for the Senator who championed the concept.

Source: Segal Consulting using information from the Georgetown University Center for Retirement Initiatives

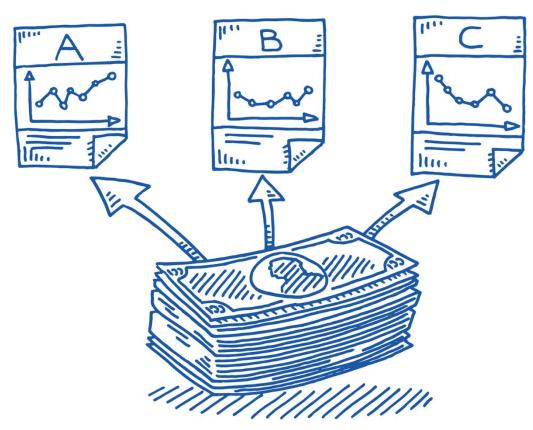
# **Developments and Considerations**

#### ➤ Safe Harbor Regulations Finalized

- Auto-enrollment permitted
- Population with minimum population can also sponsor a program—not permitted if the state offers a program

#### **≻**Similar Programs

- Payroll IRA, including MyRA, programs
- College saving (529) and ABLE plans
- §3121 plans
- Multiple-employer plans (MEPs)
- State-wide public sector defined contribution programs



# **Developments and Considerations**

#### ➤ Market Analysis

- Size of covered population (ERs & EEs)
- Industries
- Demographics
- Projected rates
  - Opt-out
  - Contributions
  - Drop-out
  - Turnover
  - Inactive and abandoned accounts

### **≻**Key Considerations

- Funding and fee caps
- Recordkeeping costs and small account challenges
- Promotion and awareness
- Implementation—set up and rollout
- Investment design
  - Target date funds and beyond
  - Stability of principal—MyRA
  - Lifetime income
- Reducing leakage



# **Developments and Considerations**

#### **≻**Operational Considerations

- Identification of employers
- Employer effort
- Sponsor reporting
- Enforcement
- Future expansion, i.e., employees at non-participating employers

### ➤ Operational Goals Include

- Maximizing simplicity
- Minimizing ER burden
- Promoting administrative efficiency and reducing administrative costs
- Maximizing "customer" experience and use of technology



# **Employer Onboarding – Recommended Process**

#### **Context Notes:**

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



Notifies ER of Program requirements and provides supporting materials for ER and individual education



ER directed to ORSP portal—registers in credentialing tool-enters required contact/firm data & reviews submission formats





Once credentialed, ER can log into ORSP portal and manage contact information, add or delete individuals to/from data or payroll file at any time

ER





ER accesses standard payroll transmittal template and leverages, or delivers to payroll vendor to initiate contribution remittances, where applicable

ER





ER will have access to two unique and simple files—one for loading initial individual data to establish accounts and another for SSNs and dollars for contributions

TIME (Days)

ER directed to ORSP

web portal— must

access web portal to

credential (allowing

individual account

setup and \$

submissions)





ER must enter required data points for registration (TBD) within x timeframe (TBD)



Enable "channel of choice" elections for notifications (i.e., failed funding, etc.) to ensure communications arrive via channel (text/email/auto dialer) best suited to drive action



Payroll vendor (if applicable) can access web portal once credentialed and access the required templates on ERs behalf



Contribution file will consist of two fields—SSNs and \$ contributions-individual will control allocations and account type through RKPR—simplifying the postsetup process for ERs



Represents Customer Handoffs



Requires customer to take next step to continue process



**Process Opportunity** 

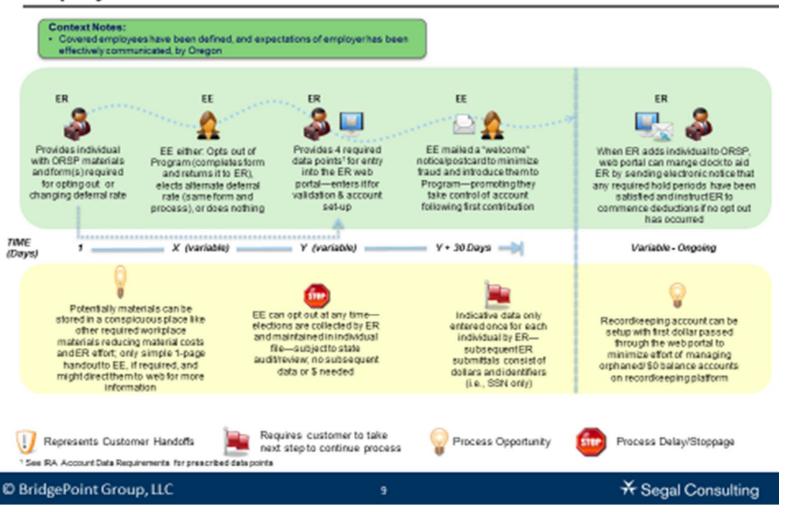


Variable - Ongoing

Process Delay/Stoppage

### **Sample Process**

#### Employee Enrollment – Recommended Process

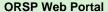


# Money In – Recommended Process

#### **Context Notes:**

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

ER



ER

Resolves any/all

issues and

authorizes file

submittal and

initiates required

funding (ACH)

ER

File and Funding

EE





Logs into ORSP web portal following completion of periodic payroll processing – enters/ loads data formatted with ORSP contributions

Returns immediate results on real-time validations – ER is prompted to resolve before being allowed to continue





Notified of funding issue (process and channel TBD) – ensures proper funds are available in their bank account



Logs into ORSP web portal once funds are available in their bank account to review & resubmit file and/or funding

**ER** 



Received, matched and completed in ORSP web portal – released to RKPR with next feed to effect account setups and/or contributions



Individual account created and/or updated to reflect contribution posting – individual can log in and take control of account following first contribution

TIME (Days)





Direct submittals from payroll vendors could streamline process if designed properly



Critical to ensure all failed validations are resolved prior to making the file submission capability available



File "held" in pending funding receipt – once funded, funding and file match, the file is released for posting to the RK system



Leveraging contact "channel of choice" should lead to speedier response times



Failure to resolve funding errors within X time (TBD) will result in return of funding or rejection of file with auto communication to ER (TBD)



RK system and posting sequence will need to accommodate account setup and contribution posting in the same processing cycle, avoiding delays



2-4 (TBD)

Individual can log into account or await periodic statement to see contributions – no confirmations will be produced



Represents Customer Handoffs



Requires customer to take next step to continue process



**Process Opportunity** 



Process Delay/Stoppage