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Launching OregonSaves: Early Lessons from an Innovative Public-Private Partnership

By Lisa A. Massena, CFA

With a great deal of local and national engagement and support, Oregon will soon be launching the nation's first state-sponsored auto-enrollment individual retirement account (IRA) program. The objective of [OregonSaves](#) is to improve access and outcomes for workers without a retirement savings option at work by providing an easy, automatic way to save through payroll deduction. As the AARP and others have noted, workers are fifteen times more likely to save if they have such access. The OregonSaves program is designed to remove the cost, complexities, and burdens that keep employers, especially smaller employers, from offering plans to their workers today.

Oregon is pleased to stand with many other states at the forefront of a movement to fundamentally improve access to retirement saving for private sector workers for the first time in over a decade. As OregonSaves is launching with pilots in 2017 and statewide implementation in 2018, several other states, including California, Illinois, Connecticut, and Maryland, are also hard at work on program implementation and expect to launch in 2018 and 2019. In 2017, [twenty-three](#) states and cities introduced legislation advancing different types of these innovative public-private partnerships.

States are leading the way because the retirement savings crisis is real. In Oregon, only 45 percent of workers have access to a retirement plan at work and, for those who do participate, the average defined contribution balance was [\\$31,037](#) as of 2012. In 2015, [16.5](#) percent of those age 65 and older in Oregon lived below 150 percent of the poverty line, accounting for 11 percent of those in the state living at that income level. In 2012, Social Security was at least [one-half](#) of the income for 61 percent of this population, and the only source of income for three in ten Oregonians age 65 and older.

Oregon has been studying how to expand retirement savings for workers for more than twenty years. Today, more than [1,000,000](#) people in Oregon do not have access to a retirement savings plan at work. We are a small business state, so about 600,000 people work for an employer that does not offer a plan. Approximately 200,000 work for an employer that offers a plan for which they are not eligible because they work part-time or otherwise do not qualify. The remaining 200,000 workers are self-employed. We sometimes think this means "wealthy entrepreneurs – all set," but in fact this includes all the 1099'd workers in our state who are part of the gig, creative, and care

economy. Tens of thousands of workers who are not traditional full-time employees would benefit from being able to opt-in to a program like this.

The mission of the OregonSaves program is to create an easy and accessible way for more workers to save. I like to describe our program this way – if a 401(k) and an IRA met and had a beautiful child, it would be OregonSaves. It has all the fiduciary governance and oversight of a 401(k) plan, uses private sector best practices like automatic enrollment – which is known to significantly boost participation, offers a very simple investment menu, institutional pricing, and does so through an IRA account. Our IRA program design gives working savers full portability so they can take their accounts with them wherever they go, whether they work for multiple employers over time, or multiple employers at the same time.

We also see facilitating OregonSaves as a half step between an employer not offering any plan, and an employer offering a full, traditional retirement savings plan, so it will help bring more employers into the traditional retirement market. In fact, we have already seen some employers decide to take the step of sponsoring their own retirement plans – thanks in large part to the education and awareness that we are helping to facilitate about the strong value of retirement savings to both workers and employers. Don't tell the OregonSaves administrator, but we count that as a win for the state!

[Oregon's bill](#) was enacted in mid-2015 with a targeted 24-month launch. We knew the timeline was assertive, but we also thought it was 'doable,' and that it would be important to show readiness within that time frame. There are several important steps we are taking on the way to launching OregonSaves that may be useful to others interested in establishing such programs:

- **Apply Best Practices and Test Your Operating Model and Program Design.** As an early mover we did a lot of borrowing from the research of other states and experts – but we also knew we would need to do fresh and detailed due diligence for Oregon to determine how to construct such a retirement savings program. We hired some excellent outside consultants to do a [market](#) and [financial feasibility](#) study to test our operating model and program design and [incorporate industry best practices](#), [financial education](#), [behavioral economics](#), and lessons learned from government-initiated defined contribution programs [in other countries](#). Our North Star throughout has been the concept of simplicity – it's got to work well while being as simple as possible.
- **Actively Seek Public Feedback and Commit to Transparency.** Making the program implementation process transparent and soliciting feedback from the public as we develop the OregonSaves program has been invaluable. We held public meetings around the state with individuals and firms on plan design, program design, and the program rules. All this feedback and input has helped us shape the design that is becoming the OregonSaves program. We have and will continue to take the time to hear from people that have a range of concerns

and interests. We know others have great ideas and experience that is important to Oregon – and their input and feedback have helped us make sure we design an even more effective and successful program.

- **Take the Time to Understand What Expertise and Services You Will Need.** We used a combination of the research conducted by others, Oregon’s refreshed market analysis (executed by Boston College’s Center for Retirement Research), and the expertise of a program design consultant – Segal Company with support from BridgePoint Consulting – to create a proposed program design and operating model. Through a series of public meetings, we kicked the tires on the proposed approach, figuring out where the rough edges were and refining the overall concept. Our consultant was very patient through this public process, when faced with lots of terrific and competing concepts. The OregonSaves Board used the consultant’s recommended design and a set of well-defined requirements to procure services for program administration and investments through a public Request For Proposal (RFP) process. Through this process the program has retained its program administrator (Ascensus), program funds custodian (BNY Mellon), and investment manager (State Street Global Advisors).
- **Pilot Test Prior to Launch of the Program.** Oregon is now preparing two pilot tests in 2017. The first, scheduled for July 2017, will test on a very small scale with a few employers to make sure money and data go where they should and that communication with employers and employees works the way it should. We will no doubt identify some fine-tuning that we will want to address, but we are committed to making the customer experience as simple and easy as possible and using technology wisely to accomplish this. We will then begin a second larger pilot in October 2017, followed by a full launch of the program in January 2018.
- **Invest in Education, Marketing, and Program Outreach.** As we prepare for the pilot testing, we also understand that education and general program awareness for both employers and employees are critical components for success. In May 2017, we issued our second RFP for program marketing services, including establishing a statewide marketing plan to engage with key stakeholders in the first two years of OregonSaves. We’re seeking to create favorable impressions, but we also need to create awareness and information on a statewide basis. It is important for employers to understand what the program is and what it does and does not ask of them. Workers also need to have a view of what the program is, and whether it is good for them. In addition, we are engaging the financial capability network in the state so when people come to their community partners with questions, they are informed about how this new program fits into their toolset for financial wellness. We have participated in conferences across the state that focus on asset building, financial education, and retirement planning, as well as engaging with the local chambers of commerce and business associations. As we begin pilot testing our program, we have partnered with two nonprofit organizations, the Neighborhood Economic Development Corporation (NEDCO) and Financial Beginnings, to provide financial education services to

employers and employees. We also are working with the Governor's office to engage with stakeholders on a statewide level.

Without access to workplace based retirement savings, workers often do not go into the retirement market on their own because of the time, costs, and complexity for them.

OregonSaves is one of a number of options states today can consider for expanding access to low-cost, easy ways to save for retirement for private sector workers. States should have the freedom to innovate and explore what program design works best for them. By doing so, we will all benefit from learning what works best and make real improvements in retirement savings access.

And of course – we stand ready to take your input on our work, and to make it better. Cheers!

Lisa A. Massena, CFA, is the Executive Director of OregonSaves.

Additional Resources:

[Oregon Retirement Savings Plan: Status Report to the Legislative Assembly, December 2016](#)

[OregonSaves Program Overview](#)

[OregonSaves One-Page Summary](#)

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