

Standard Insurance Company Statement of Opposition to HB 3436

The Standard is in the retirement planning business, both for individuals and employers. We offer a very broad range of retirement products, including traditional and Roth 401(k), 403(b) and 457 plans. We also offer a variety of annuities, defined benefit, pension and deferred compensation plans, as well as a complete host of compliance and administrative services to the employers who provide retirement plans. On the individual side of our retirement business, we offer individual advisory services and annuities.

We agree that Americans in general are not saving enough for retirement. It's why we're in this business, and make no mistake we are experts at this.

There are a variety of reasons why Americans don't save enough for retirement, but the most straightforward is that the reward in saving for retirement is distant, while spending a paycheck on immediate needs and wants is easy. A lack of education on the topic is another reason.

We would gladly partner with the State to address the root causes of this issue. We fundamentally disagree, however, that one of the reasons for under saving is a lack of plans or retirement providers who serve small business and individuals. There are hundreds, if not thousands, of insurers, advisors and banks that offer plans and services in Oregon. In addition, any individual with taxable income can go into a bank branch and open an IRA.

We also vehemently disagree with the proposition that the State can or should get into direct competition with The Standard or any of Oregon's private sector retirement plan providers. Doing so is antithetical to the State's goal of growing its private sector to increase revenues, and would require a very costly new infrastructure in Oregon State government.

Pertinent to this particular bill, there are several legal and administrative impediments to the State moving forward with such a plan:

- As recent as 2011, the U.S. Department of Labor has indicated that any employer- sponsored retirement plan, even one offered through a state or local government, would be subject to the compliance and fiduciary requirements of ERISA.
- A government plan that serves private employers with a cash balance style plan would be considered a "multiple employer plan," necessitating employer-paid Pension Benefit Guaranty Corporation premiums and individual employer compliance with ERISA's fiduciary requirements.
- A State-run IRA program likely would not qualify for favorable tax treatment under the Internal Revenue Code, destroying the incentive for individuals to participate.

We encourage this Committee to consider whether the State has the financial, legal and staff resources to effectively run a separate retirement plan for private sector workers and to assist small employers with the significant Department of Labor and ERISA compliance requirements attendant to offering a group retirement plan. The state already has significant challenges sustaining its defined benefit plan for public sector workers. It is important to understand that defined benefit plans carry long-term costs, risks and liabilities for the state.