

**Testimony on House Bill 2960**  
**House Business and Labor Committee**  
**March 6, 2015**

Chair Holvey and Members of the Committee:

My name is Richard Schwarz. I traveled from Portland this morning to speak to you. I am here today to urge the committee's support and recommendation for passage of House Bill 2960.

By way of background I served as Vice-Chair of the Task Force and participated in each and every one of its meetings, heard all the presentations and received and read the submissions of those appearing before the Task Force. I am retired from AFT-Oregon where I served in the position Executive Director for 24 years. That role included all the employer tasks and responsibilities of any private sector small business, whether for profit or tax-exempt, including personnel, payroll and benefit plans.

HB 2960 takes the crisis in retirement savings head-on establishing a critical mechanism for Oregonians to help themselves toward securing a degree of financial safety in their retirement. It is abundantly clear to me that the state of retirement savings in Oregon is a crisis that grows worse year-by-year. Without serious attention to the trends, Oregon will find itself straining to support the needs of seniors and retirees as more and more retire without sufficient resources to support themselves.

I want to thank the sponsors of HB 2960 for their attention to the Task Force<sup>1</sup> recommendations in shaping the contours of the legislation. I believe this bill embodies the recommendations to address a crisis in Oregon that can no longer be ignored. The Task Force recommendations were reached after hearing from 33 speakers and presentations, including 26 organizations, institutions and agencies and hundreds of pages of resources on the range of issues influencing retirement savings and Oregon circumstances.

What HB 2960 does provide is access: employee access to participation and for contribution toward their own retirement security where there is no workplace retirement savings program available; or where they are not eligible to participate in an existing workplace program because of

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<sup>1</sup> The task force was created by House Bill 3436 (2013) and delivered its report and recommendations to the Legislature in September, 2014.

eligibility limitations. Its portability provisions are a bridge across the many jobs research says workers will have over an entire work life, providing continuity in retirement savings. Automatic enrollment, with an opt-out, a default contribution rate and escalation, with an opt-out, work to overcome behavioral momentum that inhibits retirement planning and participation.

Despite objections you may hear, it does not impose a complex regulatory framework on employers. It does not create a retirement funding obligation on employers or the state. It does not impose contribution requirements or recurring costs on employers. It does not intervene in any existing workplace retirement programs offered by employers. It does not place any requirements on existing employer retirement savings programs.

HB 2960 creates a framework for addressing the many factors affecting retirement savings. These include employer size; employment status (full-time versus part-time); gender, race and ethnicity; income; and age. It embodies conditions behavioral economics describes as necessary for increasing retirement savings. A plan available to any employee without access to a retirement savings plan at the workplace, with the attributes already noted, overcomes these influences.

Concerns and roadblocks identified by small employers are also addressed in HB 2960. These ranged from reliance on a single person in the enterprise to manage administrative, payroll, and employment law compliance and the strain complex programs and requirements add; to a complicated evaluation and decision process for small business owners confronted by the wide range of plans, varying characteristics and applicability of different plans, the various and complex IRS rules, and ERISA obligations.

This range of variables can reach a serious cost in time and money, especially if it becomes necessary to hire expertise in these areas. Many businesses expressed a desire to offer a plan to employees, but were not keen on being saddled with the burden and expense of searching, evaluating, selecting, and establishing a plan. HB 2960 accounts for these concerns.

Opponents have argued that the state should at most provide a roadmap for employers, pointing them and their employees to the existing market and products, IRS and ERISA rules and regulations, and related information. The range of information I found on these matters, and as reflected in the Task Force source material, simply codifies those very conditions that the Task Force learned contribute to current confusion, reluctance or resistance and inhibit some employers in providing retirement savings programs for employees.<sup>2</sup>

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<sup>2</sup> The Task Force report includes more than 50 sources, including websites with information about retirement, retirement savings, products, programs and explanations, from government, industry and private organization publications and

That such a program as described in HB 2960 is needed is reflected in the makeup of the Oregon workforce. Nearly a fourth is employed in small businesses with less than 20 employees. Of the total number of businesses, some 87 percent employ less than 20 employees, including 60 percent with less than five employees. Also, Oregon tax-exempt organizations are a significant portion of the small business employment sector. For Oregon, less than 30 percent of businesses with less than 25 employees provide access to an employer-sponsored plan.

The provisions of HB 2960 will provide the needed access to a retirement savings program for these employers and employees without the complexities that hinder establishing and maintaining a program. HB 2960 envisions a minimal employer role utilizing a minimal enrollment form, and transmitting payroll deducted employee contributions, like done with tax withholding and deductions for benefit and other programs.

The alternative of doing nothing, or something less than this will only aggravate an already bad situation. Current trends highlighted in the Task Force report are that:

“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. <sup>6</sup> Indeed, ‘[t]hree out of five families headed by a person 65 or older have no money in retirement savings accounts.’” (footnote omitted) *Report and Recommendations of the Oregon Retirement Savings Task Force*, at 1. (September 2014)

HB 2690 is not a switch that will automatically re-set these circumstances. Passage will not create financial security overnight for those without adequate resources. As I learned in the Task Force, it may take a generation before the current path can be fully turned toward a greater measure of retirement security. But, doing nothing will guarantee current trends reach further into the future and increase the population without adequate retirement resources. They will certainly turn to the state for services to meet their needs.

This bill can help Oregonians help themselves. I urge your support for HB 2960.

Thank you for the opportunity to speak to you today and I will be pleased to answer any questions you may have.

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websites, as well as three pages of the key mutual fund terms for navigating the current retirement savings environment, underscoring the complexities faced by small employers in addressing retirement savings programs for their employees.

