

Testimony
HB 2960
House Committee on Business and Labor
March 13, 2015

Chair Holvey and members of the committee, my name is Tom Simpson and I am director of Government and Regulatory Affairs with The Standard. The Standard was founded in 1906 in Oregon and remains headquartered here today. We employ approximately 3,000 individuals, the majority here in Oregon, and have about 7 million insurance and retirement plan customers nationwide. In 2014 we were recognized nationally as a top 5 provider of retirement plans in the United States and received 24 Best in Class awards for our expertise in this field.

We oppose House Bill 2960 in its current form.

We understand the challenges Oregonians face who have been unable to save money for retirement. We live here. We have friends, family, and neighbors who are in this situation. In fact our company's purpose statement is to help people achieve financial well-being and peace of mind. When a customer becomes disabled, or loses a loved one, or is facing retirement, we are talking with them, helping them in their time of need.

In addition our involvement in the retirement plans market makes us very aware of the challenges businesses face in offering retirement plans for their employees. The tradeoffs these businesses make every day to keep their doors open are not trivial. We understand this.

We oppose this bill in its current form for the following reasons:

- This bill fails to address the root cause for the lack of retirement savings.
- This bill places the State of Oregon into competition with us and other financial services companies doing business in this state.
- And this bill ignores more positive action that is less costly to the State that can and should be considered in addressing this issue.

First, this bill fails to address the root cause of the lack of retirement savings by Oregonians. The lack of savings has nothing to do with choice or availability of plans. You can walk into most banks or credit unions in this state and open an IRA in as little 15 minutes. The real hurdle for Oregonians is the lack of money. Too many Oregonians are living paycheck to paycheck. They know they aren't saving for retirement. Heck, they aren't saving for emergencies. It isn't choice or desire. It is means. They don't have the means to. One more retirement plan option – this time run by the State – will not solve

that problem. And even for those Oregonians with the means to take part in a plan – at least on paper - a survey conducted by PricewaterhouseCoopers less than one year ago found that the number one reason people aren't saving for retirement is that they have too many other expenses. The next reason noted for not saving for retirement is that they have debt to pay off.

Second, this bill puts the State of Oregon into the private retirement plans business. Into direct competition with The Standard. There is already a robust and healthy retirement plans market in Oregon. The question is how can the State leverage that expertise to help solve the problem?

In this vein we worked with the last Legislature on HB 3436, working with the sponsors to improve it. After that bill was passed we were asked to serve on the Oregon Retirement Savings Task Force where I believe this bill may have originated. I say "believe" because it was a bit of a mystery how the Task Force's Recommendations were formed. We arm twisted the head of our retirement plan operation to serve on the task force because our bias is to partner with the State when asked. We submitted ample data and information with which to craft what could have been a really impactful Oregon retirement program. One that avoids the expense and legal issues being witnessed today in the handful of states that have tried unsuccessfully to implement a state plan. Our representative had one week to review a summary of the final recommendations and had serious reservations about the conclusions. Many of the final report's references were never reviewed by the Task Force, never submitted as testimony or meeting materials.

So we came out of the process a bit frustrated, frustrated that the final recommendations ignored the professional advice and counsel of Oregon's largest headquartered retirement plan provider.

But we're back, still willing to help and hopeful that this legislature doesn't put something into law that isn't as good as it could be.

There are better ways forward. While an IRA seems to be a simple solution, an employer sponsored 401k can be matched and has much higher savings limits. It is a much better solution because it sets employees on a path to a secure retirement. IRA's do not. Why shouldn't this legislation incent employers to create plans that provide for a real retirement nest egg?

Another improvement is to make sure Oregonians have a basic level of financial literacy. In the 2014 Survey of the States, the Council for Economic Education quotes the Mississippi State Treasurer: "The first step to change these troubling statistics is more instruction in economics and personal finance – lessons on budgeting, banking,

understanding and using credit, getting insurance, saving for both retirement and emergencies and the like. In other words: we have got to teach the basics better.” According to this same report Oregon only requires that personal finance be offered in the high school curriculum. It does not require that it be offered as a class nor is it tested. This body could change that.

For some employers the act of offering a retirement plan can be complex and overwhelming. There are simple ways around that and we'd be happy to offer those solutions again should this body be interested.

And then there is ERISA. The Employee Retirement Income Security Act is a federal law that establishes minimum standards for private industry pension plans. ERISA was enacted to protect the interests of employee benefit plan participants and their beneficiaries. We have to know how ERISA works and can assist the State in avoiding ERISA liability and entanglements for itself and employers as well, but the current bill is an ERISA minefield.

As I mentioned earlier, we understand the problem and want to find a way to solve it. If the sponsors of this bill want to start more Oregonians saving for their retirement, we are more than happy, once again, to sit down with them and lend our expertise.

Thank you and I'll be glad to answer any questions.