

**WRITTEN TESTIMONY OF  
TOBIAS READ  
OREGON STATE TREASURER  
BEFORE THE  
SENATE FINANCE COMMITTEE  
CONCERNING “Building on Bipartisan Retirement Legislation: How Can Congress  
Help?”  
July 28, 2021**

**INTRODUCTION**

Chairman Wyden, Ranking Member Crapo and Members of the Committee, thank you for the opportunity to address the Committee on the topic of retirement security.

My name is Tobias Read and I have the honor of serving as Oregon’s State Treasurer. At the Oregon State Treasury, we focus on promoting the financial security of all Oregonians. We manage a roughly \$100 billion investment portfolio, issue the state’s bonds, serve as the central bank for state agencies and local governments, and administer savings programs for individuals and families.

Before I was elected State Treasurer, I served in the state legislature. In 2015, I co-sponsored the legislation that led to the creation of the Oregon Retirement Savings Program, also known as OregonSaves. The Oregon State Treasury is tasked with implementing OregonSaves, and my experience with OregonSaves is why I am here to testify before you today.

We created the first-in-the-nation OregonSaves program in response to our nation’s retirement savings crisis. According to the World Economic Forum, the retirement savings gap in America is estimated to be at least \$28 trillion.<sup>1</sup> At the same time, more than half of the private sector workforce in the United States lacks access to an employer-sponsored retirement savings plan at work. In Oregon alone, with a working age population of 1.8 million, there were an estimated 1 million private sector workers without such access. And that matters, because research by the AARP shows that workers are 15-times more likely to save if there is an option to do so at work.<sup>2</sup>

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<sup>1</sup> [https://www.nirsonline.org/wp-content/uploads/2017/06/retirementsavingscrisis\\_final.pdf](https://www.nirsonline.org/wp-content/uploads/2017/06/retirementsavingscrisis_final.pdf)

<sup>2</sup> <https://www.aarp.org/content/dam/aarp/ppi/2017-01/Retirement%20Access%20Race%20Ethnicity.pdf>

That's why everyone should be happy to see the efforts of Oregon and other states to expand savings options to more people. Empowering more people to invest in their own futures is vital to the financial wellbeing of individuals and families alike.

The program is working. I am pleased to report that OregonSaves is a success, and it is still just getting started. Tens of thousands of people are already participating and most of these Oregonians had never saved before. Over 100,000 Oregonians have accounts with OregonSaves and participants have collectively saved over \$123 million dollars for their retirement.

### **What is OregonSaves?**

OregonSaves is an easy, automatic way for Oregonians to save for retirement at work. Workers at an employer that does not offer a qualified retirement plan can automatically enroll and start saving into their own personal Roth IRA.

OregonSaves is also a public-private partnership. The program is overseen by the State and managed by a private program administrator with extensive experience in the financial services industry, similar to how 529 plans are structured.

Oregon employers that do not offer a retirement savings option are required to offer OregonSaves to their workers. Participating workers contribute to their IRA with every paycheck, and those IRAs are tied to the worker and not the job, ensuring that what a worker saves is portable and will always be their money and under their control. Workers can opt out if they want, but most are staying in—about 3 of every 4 eligible workers.

Based on early demographic data, two-thirds of workers age 35-44 choose to participate in OregonSaves when they work at a facilitating employer.<sup>3</sup> This means OregonSaves is laying a foundation for a long-term culture shift, in which saving early and throughout your career becomes the norm.

### **How does it work?**

The program fills an important gap by expanding access to workers who have traditionally been unable to contribute to workplace retirement accounts. Workers, such as hair stylists or those in construction, generally work for themselves or for small businesses that lack employer-sponsored plans. For these workers, making long-term financial plans—including for retirement—often takes a back seat.

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<sup>3</sup> [http://crr.bc.edu/wp-content/uploads/2018/12/IB\\_18-22.pdf](http://crr.bc.edu/wp-content/uploads/2018/12/IB_18-22.pdf)

The program is currently registering employers with 5 or more workers. The statewide rollout will continue in waves through 2022, which is the timeline for small businesses with four or fewer workers. However, many employers see the benefits of OregonSaves and aren't waiting to register. Employers of any size can enroll at any time ahead of their registration date, with thousands having already chosen to do so.

The program is also open for voluntary enrollment by individuals, including the self-employed, gig economy workers, and those whose employers do not facilitate OregonSaves.

The participation rate of eligible workers has remained steady at around 72 percent since we launched, consistent with the market research analysis completed in 2016,<sup>4</sup> which estimated opt-out rates of 20 to 30 percent. Workers automatically enrolled in OregonSaves utilize a standard set of options designed to reduce the stress and decision paralysis often ascribed to individuals enrolling in retirement savings plans. The standard savings rate and account type for OregonSaves is 5 percent of gross pay into a Roth IRA. Other states (CA, IL) initially set their standard savings rate at 3 percent, for fear that a higher initial percentage would reduce participation in the program. Our results show the higher percentage has not affected participation. The average savings rate is currently around 5.5 percent, and workers are contributing an average of \$140 per month.

We chose a Roth IRA as the standard account type because workers can withdraw their contributions at any time without penalty. This is an important design feature for new savers, many of whom lack emergency savings to weather financial shocks such as car repairs or medical bills.

In fact, at the beginning of the pandemic when many of our participants were laid off when workplaces were required to close, their OregonSaves accounts were able to provide some financial stability some savers.

Additional standard design features include depositing the first \$1,000 saved into a capital preservation fund. This serves a dual purpose: first, it keeps our participants away from market volatility in the early months when they are new to the program. Second, it ensures that if a worker is automatically enrolled and decides soon thereafter to withdraw from the program, they can quickly access all contributed funds. Contributions above \$1,000 automatically flow into a target date fund based

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<sup>4</sup> <https://www.oregon.gov/retire/SiteAssets/Pages/Newsroom/ORSP%20Market%20Analysis%2013JULY2016.pdf>

on the participant's estimated retirement age. The Board has recently made some changes in how the capital preservation feature operates that will occur later this year.

Finally, the standard design includes an automatic escalation of 1% on January 1<sup>st</sup> of each year until the contribution rate reaches 10%. We're happy to report that 94.6% of savers that experienced an auto-escalation in 2021 took no action, allowing that increase in their contribution rate. In fact, 102 participants used the reminder as an opportunity to increase their savings rate even further. What this means in numbers—more than 32,000 OregonSaves participants had their savings rate auto-escalated this year, and of those, more than 10,000 were auto-escalated for the second time and almost 4,000 for the third time.

### **Employer Facilitation**

From the beginning, Treasury was aware that the success of OregonSaves relied heavily on our relationship with employers. We constructed the program to limit the requirements on employers as much as possible and are constantly considering ways to decrease the time employers spend facilitating the program. Employer interaction with the program includes the steps outlined below.

First, registration or exemption. All Oregon employers receive notices from the OregonSaves program in the months leading up to their registration date. For employers that already offer a qualified retirement plan, these notices simply prompt them to go online and certify themselves as exempt. In practice, we have seen a small number of employers use these program notices as a prompt to set up their own qualified retirement plan instead of facilitating OregonSaves. We see this as an exciting development, both for workers, who will have access to better benefits, and for private industry.

In addition to the self-exemption process, we have determined two other ways to certify that an employer is exempt. If an employer files a federal form 5500 and our staff is able to positively match the business on the form 5500 with the Oregon business, we will send a notice of presumed exemption from the program.

## Public Support

The public overwhelmingly supports OregonSaves. Employers say it is easy to sign up workers, and based on a recent public survey by DHM,<sup>5</sup> the level of support has actually increased in the first year. That poll found an astounding 82 percent of people support OregonSaves.

They know it is the right approach, and that it will improve savings, making Oregon stronger, today and in the long run. Or as John, an employee at Provoking Hope in McMinnville told us, “I’m 30 and now just thinking about my future. For the first time in my life, I’m thinking ahead. Where I’m at today is a 180 [degree] turn – I never even had a bank account before. I’m grateful these types of programs are available to get people on the right track.”

## Federal Law and Interaction with State Programs

OregonSaves and the other state-based auto-IRA programs are constantly seeking better ways to serve employers and program participants. We believe the following changes at the federal level would help achieve our program goals of reduced burden on employers and a better product for our participants:

**Passage of the Encouraging Americans to Save Act (EASA):** EASA creates a federal matching credit for contributions to an IRA, and as written will allow participants in OregonSaves to qualify for the matching credit. This is an extremely important step in addressing the retirement savings crisis. Additionally, because savings in ABLE accounts would also be eligible for the match, we see this as an important incentive that will help broaden Oregonians’ participation in saving for future disability related costs.

**Creating a robust 5500 database.** As previously mentioned, we currently use Form 5500 data to presume employers exempt from the program. While helpful, that data is not as robust as we originally anticipated. Our match rate was approximately 11.5% when comparing our data with the Form 5500 filings. Upon further research, we believe part of the issue is that subsidiary companies are not listed in a way that can be easily searched and retrieved. If a more robust database existed, OregonSaves and the other state programs could more easily exempt employers that offer a qualified retirement plan,

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<sup>5</sup> [https://www.aarp.org/content/dam/aarp/research/surveys\\_statistics/econ/2018/oregon-retirement-savings-oregonsaves.doi.10.26419-2Fres.00248.001.pdf](https://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2018/oregon-retirement-savings-oregonsaves.doi.10.26419-2Fres.00248.001.pdf)

meaning we can reduce the administrative burden on exempt employers and focus our efforts and resources on those businesses who need to facilitate.

**Allowing minors to use OregonSaves.** Under the age of majority (18 or 21, depending on the state) an IRA is a custodial account that a custodian (typically a parent) holds on behalf of a minor child. The account is transitioned into the child's name at the age of majority. We recommend changing this requirement and allowing minors as young as 16 to open their own accounts and hold the money in their own names. This would allow state-based programs to auto-enroll minors working at facilitating employers and get young workers in the habit of saving early in their working lives.

**Exemption from future federal legislation.** When considering federal legislation that would overlap or create national-level retirement savings programs, we would ask for an exemption to allow state-based programs to continue where they already exist.

## **Conclusion**

OregonSaves is already succeeding and achieving the goal of improved access to retirement savings. Workers and businesses across Oregon express strong support and agree about the need for the program.

The success of OregonSaves will have long-term positive implications for the savers and for Oregon. Thousands of Oregonians have already set aside significant amounts in the hope of greater retirement security. Every person is different and their retirement needs will vary, but OregonSaves and the ability to save is already improving our business climate, and is already increasing the long-term financial stability of thousands of Oregonians.