

RETIREMENT CRISIS: Oregon lawmakers consider public retirement savings program

By Richard Schwarz

With nearly half of Oregon's workforce laboring without access to a retirement savings program, a retirement crisis is entering full bloom as demographics move more and more toward retirement.

A report by the Oregon Retirement Savings Task Force, established by the 2013 Legislature and appointed by former Gov. John Kitzhaber, details the trend, noting that its efforts are the second in two decades to lay out the threats to a secure retirement for Oregon workers. The report was presented last September to the Legislature's joint meeting of the Senate Interim Committee on Finance and Revenue and the House Interim Committee on Revenue.

According to the report, "one out of every 10 Oregonians aged 65 or older lives in poverty. One in six Oregonians aged 45 to 65 has 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."

Three out of five families headed by a person 65 or older have no money in retirement savings accounts, the report noted.

A majority of Oregonians, according to 2011 figures, have saved less than \$25,000 in retirement savings, with less than \$1,000 in retirement savings among more than a fourth, the report finds.

Contributing to the growing gap between retirement savings and needs are a variety of circumstances and conditions, including the demise of traditional defined benefit plans. According to the U.S. Department of Labor, such plans have declined to 10 percent of plans in private sector companies spanning only 18 percent of private industry employees.

While more than three-fourths of employees in companies of 100 or more had access to a retirement savings program, the number drops to only 50 percent for companies of less than 100. Oregon also is largely a small employer state, according to Task Force report data, with 87 percent of workers employed in businesses of less than 20 employees, includ-

ing more than 60 percent employed in businesses of fewer than five. Even so, figures show that part-time employees are less likely to have access to an employer-based plan. Oregon also, according to the report, is higher than the national average in part-time employment at nearly 25 percent of those employed.

Meanwhile, the report says "workers of color, in particular Latinos, are significantly less likely than white workers to be covered by an employer-sponsored retirement plan—whether a 401(k) or defined benefit pension," according to a 2013 study by the National Institute of Retirement Security. The report also found that "only 54 percent of Black and Asian employees and 38 percent of Latino employees aged 25-64 work for an employer that sponsors a retirement plan," compared to 62 percent of white



employees having access to an employer-sponsored program.

To stem the crisis, the Task Force recommended establishing a state-sponsored program for Oregon workers who lack access to a retirement savings program at work, with automatic enrollment and payroll deduction — two features embraced by the financial industry — and portable between workplaces.

Representatives of the financial industry, which spends more than \$1 billion a year in advertising on retirement and insurance, argued that the recommendations should favor assisting the industry in reaching out to workers without workplace access to a plan, and

help with early education in the importance of retirement savings.

Without action, demands on social services, for example, are expected to grow. The Task Force reported that for 2013, of the more than 100,000 Oregonians on the Supplemental Nutritional Assistance Program (SNAP), "those over age 60 represented nearly 10 percent of those" according to the Oregon Department of Human Services. At the same time, of the more than one million Oregonians on Medical Assistance Program, nearly 10 percent are 60 and up.

Task Force Chair and State Treasurer Ted Wheeler, in delivering the report, told legislators "time is not on our side."

House Bill 2960 and Senate Bill 615 are moving through the Legislature, taking up the call from the Task Force. The full report of the seven-member Task Force is available from the Oregon Legislative Information System at: <http://bit.ly/1afupUE>.

(Editor's Note: Richard Schwarz is a retired executive director of the American Federation of Teachers-Oregon. He served on the governor's task force.)

The House Business and Labor Committee on March 25 recommended passage of HB 2960 to the full House to address Oregon's retirement savings crisis. It would establish a seven-member Oregon Retirement Savings Board, and charge it with creating a defined contribution retirement savings plan for Oregonians without access to a plan at work. Elements of the plan include:

- Automatic enrollment with the ability to opt-out;
- Automatic increase in annual contribution rate with ability to change or opt out;
- Payroll deduction;
- Portability between jobs;
- Minimal employer role and responsibility.

The Board would reach out to small businesses, undertake market research, investigate incentives for participation, and increasing financial literacy. The plan would take effect and be available by June 2017.

The bill was recommended on a 6-to-5 party-line vote, which included notice by Rep. Bill Kenemer (R-Oregon City) of a possible minority report. The committee did amend the bill to clarify certain provisions. The committee turned back several other proposed amendments, including one which would instead create a website clearing house of available retirement products offered by the financial industry.

HB 2960's chief sponsors included Reps. Tobias Read (D-Beaverton), Jennifer Williamson (D-Portland), and Senators Lee Beyer (D-Springfield), Arnie Roblan (D-Coos Bay), and Diane Rosenbaum (D-Portland). Other sponsors are Reps. Shemia Fagan (D-Clackamas), Ann Lininger (D-Lake Oswego), Susan McLain (D-Hillsboro), Jessica Vega Pederson (D-Portland), and Brad Witt (D-Clatskanie).



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