Wyoming Retirement Security Task Force
September 18, 2018
State Office Building on Werner Court, Casper

Members present
Chair – James Anderson (State Senator)
Mark Kinner (Representative)
Vice Chair – Frank Boley
Lisa Jerde Spillman
Jay Schneiders
Sam Shumway
John Cox
Polly Scott
Ashley Bright

Public Present
Tom Lacock – AARP
Tony Glover – DWS
Summer Wasson – ETS
Jim Hall – American Council of Life Insurers
Dave Uchner – American Council of Life Insurers

The meeting began at 1 p.m. and saw Wendy Carter, and Melanie Walker of the Segal Consulting discuss the executive order signed by President Trump, which requires the Secretary of Labor and the Secretary of Treasurery to look at Multiemployer Plans (MEP's) and find ways to make the MEPS easier to take part in by amending their rules. The regulatory process is generally a two-year process, according to Walker, though temporary rules can be put in place in the interim.

The duo said HR6757 or the Family Savings Act of 2018 is also on the horizon and recently amends ERISA and IRC provisions to address problems with open MEPs. It also provides relief from the "one bad apple," rule, and allowing IRAs to offer MEPS. This is an employer-sponsored plan.

Joshua Gotbaum, the chair of the Maryland Saves Board of Directors, was the next to present to the Task Force. He said he chaired the board, though he is not from Maryland. He has worked in and around retirement savings for a decade, was with the Brookings Institute and his work has long centered around ways to find ways to make it easier for people to save for retirement. Among the findings of Maryland Saves, if the employer offers the ability to retire as a part of the paycheck, many more people will do than won't. The vast majority of people are able to do this because an employer made it possible.

As a point of offering some history, Gotbaum said McCain and Obama both endorsed the idea of auto-IRA for retirement. IRA's are outside of ERISA and if you pull together everyone in the state into one retirement pool, the cost of doing business are less. Six states have passed laws of doing some sort of automatic IRA program. Maryland is designing its program right now and Gotbaum is currently its chair. The program is supported in Maryland by both parties.

In the Maryland Saves program, a mandate to offer retirement to employees is there, but rather than having a penalty, they offer a carrot. He then offered an overview of the Maryland Saves program.

Workers surveyed by Maryland Saves said their top concern is that they are worried about having enough money to retire. According to Maryland Saves data, 50 percent of workers in Maryland don't have a retirement plan. Another 35 percent are more people with defined contribution plan (similar to a savings account) that they have to use and try to budget so they don't run out of cash. Another 15 have a defined benefit program.

It is estimated 40 percent of those with defined contribution will run out of money before they die The biggest reason for states to sponsor a retirement program is to prevent skyrocketing costs for Medicaid. The other reason is most businesses don't offer any retirement due to cost and government regulations. Maryland discovered with a state-sponsored IRA you could reduce both federal regulation and costs.

Gotbaum believes open MEPs will help by simplifying reporting and lowering costs among multiple providers. However, he still thinks State Auto-IRA programs are more impactful.
In Maryland one of the leaders of the Maryland State Senate is a financial advisor. However, while he wasn't originally interested in the idea of a state-sponsored retirement, but he found that these weren't folks with a pot of money that would otherwise be walking in the door of a private money manager. The Senate President in Maryland said he could live with the bill as long as the government doesn't manage the money. He also said some of the state programs have just one option and you are vacuuming people's paycheck into one option and leaves nothing for advisors to do. Maryland's bill required multiple investment options so financial advisors have a role assisting people with investment choices.

They put into the law that the government doesn't manage the money and there is a choice of investment options. The Senate leader also said he doesn't want to pay a penalty for not offering retirement. It does hold that a business that sign up for the program or has any other type of retirement program, your annual $300 filing fee with the state goes away.

Maryland's state legislature is lending Maryland Saves the start-up costs and as it collects fees, it pays the state back. Maryland Saves is not a state agency; it is a non-profit not tied to bureaucratic processes. It is a non-profit corporation and the goal is to make it easy and cheap for employers to sign up.

Costs for the program in Maryland will be paid by participants through contributions to pay for recording, and reporting. No employer subsidy or state subsidy.

Legislation negotiated start-up costs with a loan from the state. The board can borrow from the state or another entity and can take private contributions. There is also a component of contractor financing to get the Maryland Saves program going by those who want to contract with the state. This will not be a state or employer liability.

There are plenty of plan choices in Maryland. Maryland requires private managers. States can force managers to complete or lower their fees through the bidding process. Gotbaum also suggested it is important to always designate a default option for those who dislike making these choices. About 90 percent go with the default.

Gotbaum was asked, should there be annuities as part of the program? Are people going to be worried about losing money when they get started? Gotbaum said the first couple states put people in a cash fund that doesn't lose money or make money. One issue they are working out is whether to keep doing this and do people care about the risk of losing money more than the opportunity to make money.

Many states have decided on a Roth account because there is less hassle when it is taken out. California is soliciting bids for an environmental/social governance funds.

In terms of process for getting started, Gotbaum suggests having the state legislate a program and board, then determine start-up funding, whether that be state funds, or a foundation to pay for consultants, staff and counsel. A state then needs to determine whether to run the program as a state or farm it out. Then, develop investment options and procedures before moving into a communications/educational program.

He suggests we watch the pilot programs of Oregon, Maryland, Illinois, California, and Vermont. Senator Anderson asked for a sense of the start-up costs for the Maryland Saves program. Gotbaum said the State of Maryland will spend a little over $1 million to get the program up-and-running. He doesn't believe Maryland Saves will spend it all. He hopes the contractors are able to help with those costs after a year or so. He said Oregon spend $2 million to get it up and running. California has already spent a couple million dollars, which is a bit different than most states because of the number of people in that state.

Gotbaum said you will see numbers in the coming years coming down because a template will have been in effect, and there may be opportunities to collaborate with other states.

Senator Anderson asked if states can go with a Roth, Annuities, and other programs? Gotbaum said at least one state is offering both the Roth and the traditional IRA. You may offer a range of options, but remember adding an option does make it more complicated for folks to make a decision.

Boley asked Gotbaum what it means to collect money for the program. How will Maryland Saves recoup the money to repay the loan? Gotbaum said they will charge an asset-based administrative cost of up to one percent when the program is up and running. Gotbaum adds the legislation limited the administrative cost that could be charged to 1 percent or less annually. They won't based administrative costs on a per-account charge because account balances will be low at first.

Schneiders asked about someone like the McDonalds employee saving two percent. He asked what is the key to getting buy-in from the employee and wondered about education of workers in the process of getting them to save. Gotbaum said the key is making it easy for someone to save for retirement. If, when they go to work, they inform you if you do nothing 3 percent of your pay goes into a retirement account and if they want to they can pull the money out, 80 percent of people will let the money go in. You don't have to require someone to save, but if you make it so they don't have to do anything to save, that is the trick. You can talk to people about how much they save. Once they are in the process of saving, they will pay more attention than if they have to decide whether to do it at all.

Gotbaum also discussed the concept of target date funds. He said those funds rely on the notion that the closer you get to retirement, the less you want to rely on stock market. As you get older the portion of money invested in stocks should go down and bonds should go up. This is generally going to be the default by many states who are doing work-and-save processes.

Spillman asked what was contractor financing as suggested by Gotbaum. He said Oregon Saves was given $2 million and they knew it would take more than that. Oregon told contractors they needed to pay for developing the system, and installation costs for contractors who wanted to provide the infrastructure for the retirement programs. The state has to agree to a term long enough for the contractor to recoup the business.

Comments from Employers who filled out the employee survey

The first to talk to the committee is Todd Smith, an accountant with the Wyoming Auto Finance Group in Casper which has 1-4 employees. He said the age appropriate funds is something to look into. He has been with two organizations (one with 63 employees, another with over 600 employees). The adoption of a retirement option for the company with 63 employees went up drastically when they chose to have a local administrator and financial advisor offer the employees what the plan was and offered a limited number of options. They did an individual meeting with the advisors as well. That allowed themselves to enroll themselves in the plan immediately. In a plan as the money goes up, there are forfeitures, which they used to pay fees and expenses. He said this is an idea that needs to happen. If you can get enough participation and get the employees to enroll, this will work.

WyoTowne Presentation

Then presenting was Jessica Baxter, VP of Operations, who oversees clubs in Central Wyoming and Cowboy Ethics lessons. She also oversees the WyoTowne program.

Baxter comes from an education background and was a teacher for many years. The WyoTowne program is an experiential environment, which has been developed over 25 years.

Youth have checking accounts, debit cards, and are doing this in real time. The program has a little science, reading, math, and civics. The program is set for fifth graders.

Amanda Montes, Academic Outreach Program Coordinator of the Boys and Girls Club said the program starts with classroom instructions with 27 lessons covering personal and business finance, a pre-test is also given to assess gains. The materials include roughly 14-22 hours of classroom instruction. Much of it is interactive. Students receive a paycheck and are expected to track it, and are able to go through a day in town where they can take surveys too. Students enact their own laws and have their own elections. They also take risk assessments and take out a CD, mutual fund, or stock in town.

Businesses can invest in a business in WyoTowne and do interviews to do let the kids work in their shop. They work with all schools in Natrona County, will expand into Converse, Johnson, Sheridan Counties. They hope to take it statewide and are working with The State Superintendent of Public Instruction to expand the program.

American Council of Life Insurers

Jim Hall of the American Council of Life Insurers then took the floor. He told the group that while he isn't an expert in this area of retirement savings, he has been asked by the ACLI to offer comments from the life insurance industry. He said ACLI has just under 300 member companies and they hold much of the life and annuity work in the country right now.

They are acutely aware of the retirement crisis and have taken the position when a state is running a state-run plan for private sector employees puts the state in competition with the private sector. The ACLI suggests Department of Labor Stats, say 80 percent of full time employees have access to a 401K plan and 80 percent of that participate in a 401K.

The financial services industry did a survey through Price Waterhouse and asked people if they are saving for retirement, and how they are saving for retirement. 22 percent said they aren't saving for retirement and said they have too many expenses, too much debt and aren't making as much as they used to. 3 percent not saving for retirement said it was because their employer wasn't offering a retirement plan. He feels people don't save for retirement because they have too much debt. In the bills they have seen around the country to create a state-run retirement system, the bills don't require people to make more money, or cancel debt. Therefore they do not believe offering a state plan would make difference in these numbers.

Secure Choice is most common plan. It involves an employer mandate to join a state plan if they are not offering a plan. Employees are auto enrolled and have an auto deduction from their wages of 5-6 percent. They have opportunity to opt-out or change the amount of investment. Thus far 35 states have considered the secure choice plan, 30 states have rejected that plan.

The issue how to insure the plan is self-sustaining, to get around ERISA, and how to finance the plan. Allen said the states that have started these plans will have large start-up costs and concerns about legality. Thus far the plans have had start-up expenses between $25-170 million among the states who have started the plans.

He told the committee, “If you consider a state run plan what is the chances that companies will terminate their current plan and join the state plan?” The financial services industry recognizes the need to get people to save for retirement. The basic problem is people don’t have the money to save.

Hall said his group preferred a plan similar to that in Washington and New Jersey’s marketplace plans.

Frank Boley said he has reached out to additional contacts from the financial services industry in Wyoming who may be interested in speaking to the Task Force; however, he’s not yet made the right contacts. He will continue to pursue this, and Polly Scott has as well.

Wyoming and Colorado Petroleum Marketers Association
The Wyoming and Colorado Petroleum Marketers Association was represented by Mark Larson and focused on legislation from Colorado regarding some of the issues around why that bill has not moved forward.

Schneiders said there was a board meeting on Sept. 6 of the PMA and asked for input from the board members. He said all of the board members asked currently offer retirement plans with matching funds. The participation rate among that group is low. The average participation rate was between 15-25 percent. That led to discussion on how to drive the numbers up in participation. Schneiders said the biggest issue mentioned was the issue of workers not having enough pay to have something to save. Schnieders added that he was offering 100 percent healthcare for each of the C-store workers at Red Oil. As soon as Red Oil had any type of participation in payment, a large percentage dropped out. Many of the employees simply decided they could not afford the cost. He thought this retirement program may be similar.

All the members agreed that retirement savings is a major issue to the state. They questioned whether the state should get involved and concern about yet another program. There was concern about the opt-out in a c-store setting. They thought there was a major issue for financial education.

Schneiders said he also had a conversation with Tony Gagliardi of the National Federation of Independent Business (NFIB). Tony suggested it will be an issue for the third year in a row in Colorado and NFIB is against the legislation. The NFIB agrees there is a problem, but there is a concern about a one-size-fits-all retirement plan and feels young families need to build a cash reserve instead of a retirement plan. The NFIB is concerned about an employer share requirement. A Colorado member survey suggested 91 percent were against a state program while just 6 percent supported it.

Larson then offered an overview of the Colorado legislation. He said when the list of what played out in Colorado you will see similar testimony and opposition mounting in Wyoming. The Colorado bill morphed from the House to the Senate. The Senate turned the bill into a study and that study would be formed to set a new agency in the Governor's office. He said in reviewing the testimony of those in opposition, the discussion with the Maryland Saves group and others, would have addressed many of the concerns of those in opposition. It would address the expenses to the employer. Concerns were the mandate and the expense and the third thing that the EA is still federal mandates to abide by unless you can get that out of the way to make the state plan functional.

Larson said the AFLI was effective in pulling votes in Colorado. Any individual can open an IRA at any time with no minimum amounts. It is their choice and responsibility. IRA was developed to address a lack of employee retirement and made the point let small business run their business.

Senator Anderson indicated there were several parties who wanted to participate, but were not able to do so. Specifically, the Wyoming Lodging & Restaurant Association and the Wyoming Business Alliance.

Education being done by the Wyoming State Department of Education
Polly Scott offered an overview of what the State Department of Education is doing in this realm. She said Superintendent Balow has asked the Legislature for a financial literacy education component in the curriculum standards and it has not passed as yet. However, according to WDE staff, Superintendent Balow considers herself an advocate and hopes to continue to work towards that hope.

Senator Anderson believes the legislature has an aversion to dictate curriculum and believes that work needs to come from the Department of Education.

Development of Guiding Principles
Scott pulled out a list of guiding principles that other state task forces had developed, including New Mexico, Maryland, Vermont and other states. These are a list of guiding principles that they gave to legislators.

The Task Force then put together their feelings of what the guiding principles should be as the work is being done going forward. Among the items that were mentioned several times by the task force were:

- Administration
- Portable
- Help Wyoming Move Forward
- Education
- Easy
- Not Burdensome

- Choice
- Low Cost
- Impact
- Ease
- A number of startups by the state with the state being paid back for those costs.
- Educational component
- Not competing with private sector products

Final discussion
Senator Anderson offered a concern that Wyoming may not have enough employees for critical mass and low fees. He said there is a suggestion made that perhaps we start a Wyoming plan and try to provide the infrastructure for other states to join as a consortium for a retirement plan, perhaps something like a multi-state MEP. Scott said there is a conference coming up in Rhode Island in December to discuss how multiple states can partner. Anderson said he would also ask the Council of State Governments information on this topic as well.

The meeting was then adjourned with mention that the next meeting is slated for October 19 in Laramie at the Rochelle Conference Center.