**Statement**

**American Retirement Association**

**Senate Finance Committee**

**Senate Bill 135 Authorizing Automatic Enrollment of New Employees in the Ohio Public Employees Deferred Compensation Program (“S.B. 135”)**

I am Todd Stout, Regional Vice President at The Legend Group - A Lincoln Investment Company.

For 50 years, The Legend Group has been helping investors in Ohio as they work toward achieving their financial goals. Our history is rooted in the development of products and services for 457 /403(b) retirement plans and over the years we have played an influential role in the evolution of this market.

I appear today as a representative of the American Retirement Association (“ARA”).

ARA is the coordinating entity for its five underlying affiliate organizations representing the full spectrum of America’s private retirement system, the American Society of Pension Professionals and Actuaries (“ASPPA”), the National Association of Plan Advisors (“NAPA”), the National Tax-Deferred Savings Association (“NTSA”), the ASPPA College of Pension Actuaries (“ACOPA”), and the Plan Sponsor Council of America (“PSCA”). ARA’s members include organizations of all sizes and industries across the nation who sponsor and/or support retirement saving plans and are dedicated to expanding on the success of employer-sponsored plans. In addition, ARA has more than 26,000 individual members, 1,500 of whom reside in Ohio, who provide consulting and administrative services to American workers, savers, and the sponsors of retirement plans. ARA’s members are diverse but united in their common dedication to the success of America’s private retirement system.

We very much appreciate the intent of Senate Bill 135, which would authorize automatic enrollment of new employees in the Ohio Public Employees Deferred Compensation Program. The ARA has long supported policies that improve participation in workplace savings programs, including plan designs with automatic enrollment and other automated features, with the understanding that many workers eligible for retirement saving plans do not participate simply because they never enroll. However, our membership offers the following concerns based on our analysis of S.B. 135:

* S.B. 135 is consequential legislation which would impact the lives of all public employees in Ohio. It should be carefully considered and debated in the Senate Government & Agency Review Committee given its jurisdiction and expertise over this subject matter. S.B. 135 should not be included by amendment to the omnibus budget bill.
* ARA believes that local governments, not the state of Ohio, should have jurisdiction over their retirement plans and the implementation of auto-enrollment options. We believe that limiting automatic enrollment solely to the Ohio Public Employees Deferred Compensation Program (the “457 Plan”) artificially constricts public employer choice and limits market competition, effectively creating a public monopoly. In particular, public education institutions should be able to auto-enroll employees in 403(b) programs where this is an alternative to the 457 Plan.
* ARA supports policies that improve participation in workplace savings programs, including plan designs with automatic enrollment and other automated features, but does not agree with automatic enrollment rules that supplement already mandated savings plans. When public employees are already saving for retirement, the need for automatic enrollment is not clear. For example, in Ohio, most public employees are mandated to contribute at least 10% of their pay into the Ohio Public Employees Retirement System and School Employees Retirement System of Ohio plans, and Teachers are mandated to contribute 14% to the State Teachers Retirement System of Ohio.
* ARA believes that Ohio’s public employees, and not the Ohio government, should themselves (i) ascertain their need for additional retirement savings and under what type of plan vehicle and (ii) decide whether to prioritize retirement savings over other financial matters. A recent report by the National Association of Government Defined Contribution Administrator’s (“NAGDCA”), shows that median participation rates in deferred compensation plans are 60% nationally.[[1]](#endnote-1) This confirms that most public employees are already exercising the discretion to choose savings plans and investment options that are most appropriate for their circumstances.
* Lastly, S.B. 135 does not contain sufficient detail regarding how the automatic enrollment feature is intended to operate. Careful consideration should be given to, among other things, the amount of automatic deferrals, the default investment, and whether pretax or after-tax Roth contributions will be the default choice.

ARA recommends that the Senate Finance Committee remove this amendment from the omnibus budget bill and allow the Senate Government & Agency Review Committee appropriate time to deliberate S.B. 135 with the input of local governments and the retirement industry.

ARA appreciates the opportunity to offer our views to the Senate Finance Committee. This concludes my prepared remarks.

1. National Association of Government Defined Contribution Administrators, *2018 NAGDCA Perspectives in Practice Survey Report* found at: https://www.nagdca.org/wp-content/uploads/2018/12/NAGDCA-PIP-Survey-Report-Executive-Summary\_WEB\_1.pdf [↑](#endnote-ref-1)