

# Minutes of the Joint Legislative Oversight Committee

## February 18, 2021

### Room EW42, Capitol, Boise, Idaho



Cochair Senator Mark Harris called the meeting to order at 4:30 p.m. Cochair Harris began the meeting by recognizing Margaret Campbell for her 27 years of working for the Office of Performance Evaluations. Attending the meeting were Senators Dave Lent, Michelle Stennett, David Nelson, Representatives Ilana Rubel (cochair), Caroline Nilsson Troy, Paul Amador, and Steve Berch. Also present were Rakesh Mohan, director and other staff from the Office of Performance Evaluations (OPE). Audience members included Françoise Cleveland representing AARP and John Watts and Liz Hatter representing Veritas Advisors.

### Approval of minutes from February 11, 2021

**Senator Nelson moved to approve the minutes from February 11<sup>th</sup>, 2021. Representative Rubel seconded the motion, and it passed by voice vote.**

### Report presentation: *Preparedness of Idahoans to Retire: Deciding the State's Role*

Rakesh Mohan said that the committee released the report to the website in August and that he was excited to present this important information to the committee. Rakesh thanked the Treasurer's office, and stakeholder groups such as the Treasurer's working group, for providing information for the project.

Ryan Langrill, principal evaluator, discussed retirement savings and the state's potential policy options to increase retirement savings in Idaho. Ryan thanked the Treasurer's office, AARP, and the various stakeholders in the business community and local financial institutions who helped make the report possible, as well as the Georgetown Center for Retirement Initiatives and the Center for Retirement Research at Boston College.

Ryan said that between one-third to two-thirds of workers will not have enough savings to maintain their standard of living after retirement. This is driven in part by the decline in private sector pension plans since the 1970s. Having insufficient savings increases reliance on public safety net programs. As the population has aged, states have begun developing retirement savings programs to control costs on state programs such as Medicaid.

Most people who save for retirement do so through retirement plans through work. Research shows that when people are automatically enrolled in retirement programs they save more. In Idaho, 40 percent of private sector workers have a retirement account through work. One of the biggest predictors of whether an employer offers a retirement savings plan is the size of the business. Ryan said that 60 percent of employees working for employers with more than 1,000 workers have access to retirement savings, while only 22 percent of employees working for employers with less than 50 workers do.

Ryan said that there are barriers for employers to offer retirement savings for their employees. Setting up a retirement account can seem daunting or complex for businesses without a connection to financial professionals. Small businesses may not have an HR department who can administer retirement plans. There are regulations and costs that make it difficult for small businesses to offer retirement plans.

Ryan said that 45 states have taken the steps to study, propose, or enact legislation to increase retirement savings through the workplace. There are two approaches states have taken to increase access to retirement plans.

The first approach is to mandate that employers offer a retirement plan and make available a state-sponsored default plan. States have flexibility to decide which employers will be subject to the mandate. The mandate requires that employers offer a retirement plan either through the private market or one provided by the state.

Representative Berch asked whether there is a minimum number of employees an employer must have to be required to adhere to the mandate. Ryan responded that it varies from state to state. Illinois has a mandate for businesses employing 25 or more employees, Oregon has a mandate for businesses with any number of employees. It is up to the state to determine which businesses they would like the mandate to apply to.

Ryan continued that one downside of the state-sponsored plan is that it is costly. In Oregon, participants are charged about 1 percent of the account balance per year, which is about 6 or 7 times more than a comparable private plan. Also, employers are prohibited from matching contributions to the state-sponsored plan, which makes it harder for employees to build savings.

Ryan said that all of the state-sponsored default plans are similar. The accounts are individual retirement accounts overseen by the state but administered by a third-party administrator. Because the plans were all similar, OPE was able to do a cost analysis of a state-sponsored retirement plan in Idaho. OPE projected the plan would break even on investment after 11 years. For the first 6 years the plan would lose more money than it would earn and would then begin making money back.

The second option is the administration of voluntary programs to encourage employers to offer retirement plans. These are more flexible than state mandates. Massachusetts offers retirement pool plans for nonprofits, while Washington has a state marketplace for retirement plans. The marketplace is similar to Idaho's health insurance marketplace. These programs allow employers to match employee contributions.

Ryan said there is not much evidence that the retirement programs are successful. Illinois' plan is the only state mandate plan that has been fully implemented for more than a year. There are no current best practices. If the state wants to pursue workplace retirement for private sector workers, a formal group should be assigned to discuss the options. In addition, the groups could monitor outcomes in other states.

Senator Nelson asked if a similar breakdown exists for voluntary programs in terms of breaking even like the one described for the state mandate program. Ryan said he was only able to find studies regarding the mandate option. There is too much variability around the voluntary plans to know how much they would cost, while the mandate plans are all similarly structured.

Senator Nelson asked if the retirement plan proposed in House Bill 180 is a mandatory plan. Ryan responded that he has not studied the bill and does not know.

Representative Berch said that House Bill 180 would facilitate a voluntary retirement savings plan for employees who do not have access to one in the workplace.

Representative Berch asked if Representative Furniss had worked with anyone at OPE on House Bill 180. Rakesh responded that Representative Furniss did not work with the office; but

because the report was released in August, he was sure that Representative Furniss and others have looked at the report.

**Representative Rubel moved to present the report *Preparedness of Idahoans to Retire* to the House Business and Senate Commerce committees. Representative Berch seconded the motion, and it passed by voice vote.**

Representative Berch said that JLOC should coordinate the report presentation with Representative Furniss' discussion of House Bill 180.

### **Other committee business**

Rakesh said that because the retirement report does not evaluate a program, it does not require a follow up report. The same applies to the Driving Authority and County Revenue reports. He recommended the closing of the three reports.

Senator Nelson said that county clerks from his area were not asked to provide data for the County Revenue study and asked if a follow-up study was needed to gather more information.

Rakesh responded that the office could conduct a follow-up if additional information was needed.

Amanda Bartlett, principal evaluator, said that the office had done two extensive surveys with counties on previous reports and received much feedback. For the County Revenue project, OPE had access to budget and audit information for 43 of the 44 counties. Amanda continued that extensive budget analysis and interviews with 44 counties would require more time and was therefore considered a data limitation in the development of the report. The data limitation was disclosed in the report, and the study used existing data from the Tax Commission.

Senator Nelson responded that he was aware of the data limitation as it was reported out, and that he wanted to give voice to his clerks who had made comment on the report. He added that having better data to make decisions is always good.

Representative Berch said that the three studies have directly relating bills and that he sees a potential for follow-ups depending on the results of that legislation.

Rakesh said the reports could be closed and new evaluations could be requested depending on legislative results.

**Representative Berch moved to keep the reports *County Revenues, Driving Authority for Unauthorized Immigrants, and Preparedness of Idahoans to Retire* open. There was no second and the motion failed for lack of a second.**

**Representative Nelson moved to keep the report *County Revenues* open for one year. Senator Stennett seconded the motion, and it passed by voice vote.**

**Representative Berch moved to keep the report *Driving Authority for Unauthorized Immigrants* open for one year. Senator Lent seconded the motion, and it passed by voice vote.**

**Representative Berch moved to keep the report *Preparedness of Idahoans to Retire* open. There was no second and the motion failed for lack of a second.**

**Representative Rubel moved to close the report *Preparedness of Idahoans to Retire*. Senator Stennett seconded the motion, and it passed by voice vote. Rep. Berch asked to be recorded voting no.**

Rakesh said that he is thrilled that the committee members are engaged. He added that he is unsure if a formal process is needed for committee action discussions. He commented that OPE has to engage in a balancing act to avoid any bias, or even appearance of bias. He said that OPE's role should be to provide information to help policymakers.

Rakesh said that when there is a hearing for Representative Furniss' bill on retirement savings, the office would be happy to testify about the findings of the report but would remain neutral on the bill. Rakesh thanked the committee for their engagement on the projects.

Representative Berch asked if the office's role is to provide information and not advocacy. Rakesh responded that was correct.

Representative Berch asked if the status of a report limits or precludes actions that OPE can take concerning follow-up information. Rakesh said that OPE is always available to provide information. There are limitations around resources and time. If the analysis had not been done but could be done quickly the office could provide the information. If the analysis would require more extensive resources then JLOC would need to provide approval. JLOC would determine whether a follow-up or a new project would be appropriate.

Representative Berch asked a clarifying question regarding if the decision of whether a project would be new or a follow-up is independent of whether a report is open or closed. Rakesh answered yes. Keeping a report open or closed is determined on whether there are recommendations that require follow-up. The follow-up is dependent on the implementation of recommendations and not on new analysis.

*The meeting adjourned at 5:30 p.m.*