

**Testimony – Steve Banks**  
**Michigan Senate - Appropriations**  
**HB4338**  
**September 7, 2016**

1. Western Michigan Consortium, MRIC is best example in the country for coordination of employers and service providers in the country.
  - a. My opinion, having been in this field for over 30 years, is that 90% of K-12, if not all, employees want help with their finances, and of the remaining 10%, half of them need help, they just won't admit it.
  - b. The Pension Tier 2 has actually decreased the individual savings rate by new employees since 2011 as employees assume their contribution to the Tier 2 is enough.
2. Why do participants need to save much much more than even 5 years ago?
  - a. Center for State and Local Government Excellence study
    - i. "Effects of Pension Plan Changes on Retirement Security"
    - ii. The average amount a typical employee must save to obtain 85% of their income after retirement is over \$500K. Average of states surveyed.
    - iii. This is over and above the existing Pension Benefit, including Tier 2.
3. Analysis proves that if you automatically enroll all employees at 3%, which is the existing Tier 2 with a reduced pension, and they do not increase their savings, they will retire Equally Poor.
  - a. Who helps them decide how to achieve their financial goals. Most rely on a trusted advisor.
4. Technology in place now that was not there even three years ago
  - a. Multiple providers with a new single record keeper. Today, your single record keeper is VOYA that has a limited number of investment options
    - i. Provides Governance and Oversight
      1. Make a vetted group of providers available that already have a significant service footprint over the State.
      2. Reporting to ORS on products, fees, representatives, compliance
      3. Better coordination between ORS and Compliance administrators for local reporting units
      4. Only approved products can be used by representatives authorized at the local level.
    - ii. One portal for employees to make individual choices

- iii. ORS maintains their default account that is also placed on platform (presently VOYA)
  - b. Local choice for local reporting units
    - i. Which providers they want to service employees
    - ii. Choose their local representatives
  - c. No additional work on the part of ORS – Remember – Still Single Record Keeper
    - i. Remittance process would only require minor changes
      - 1. File formats a transition methods remain the same
    - ii. Investment reports available online
    - iii. ORS access to platform for ease of customer service when called
    - iv. Administrator would provide call center to take burden from ORS
- 5. Administrator to coordinate education activities with companies and representatives
  - a. Standardize the message concerning the plan.
  - b. Allows financial education personalized to the individual participant