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Testimony : March 22, 2013, Oregon House Business & Labor
Committee

Chair Doherty and committee members:

MEASURE: HB 3436
EXHIBIT: 9
H BUSINESS & LABOR
DATE: 3-22-2013 PAGES: 5
SUBMITTED BY: Joyce Demonnin

Good morning. I am Joyce De Monnin, outreach director for AARP Oregon. I live in Portland. AARP has more than 500,000 members in the state, nearly half of whom are under the age of 65.

One of the privileges I have in my job is talking to hundreds of our members every year. I meet people in their 50s and 60s with no savings, very little put aside for retirement and wondering at this point in their life, what will happen to them.

I take this work very seriously because I know what it's like to be behind in your retirement savings. Like a lot of young people, in my 20s and 30s I worked at a variety of jobs before settling down as a reporter at the Corvallis Gazette-Times. But after a divorce and worry about my aging parents back in Portland, I decided to move back to the metro area to start over and be closer to home.

I was lucky and landed on my feet. After getting a master's degree, I had a great job, was saving for retirement and thought I

Mr./Ms. Full Name

Date

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was doing everything right. But after a conversation with a financial planner, I realized I was woefully undercapitalized for retirement.

The world of work is different today. Who expects to work with one employer for 30 years and end up with a pension and a gold watch? Those days are over. There are some pluses and minuses to that. The downside is that employees must bear the burden of retirement savings, and most of us are not equipped to do a good job of that. We need to adapt to the changing times and create systems that make the right choice – saving for retirement – the easy choice.

While people today joke about working till they die, the reality is no one knows if they will be physically able to work until late in life. One can't predict the loss of job or the loss of health. HB 3436 starts the conversation this state needs to have on creating a new way – an Oregon way – to help all of our citizens save and plan ahead for a safe and secure retirement.

OREGON RETIREMENT SECURITY COALITION

March 15, 2013

Re: HB 3436 -- Bolstering retirement security for all Oregonians

Representative Doherty, Chair
Business and Labor Committee
Oregon State Legislature

Chair Doherty and committee members,

The American dream includes the opportunity for families and individuals to set aside savings towards a secure and healthy retirement. In recent years, however, retirement security for working families faces an unprecedented crisis.

A 2012 study by the Urban Institute and AARP's Public Policy Institute found that workers under age 55 today are less likely than their parents or grandparents to enjoy the living standards of their working years when they retire. The report shows that average retiree income is projected to fall from 80 percent of average career earnings for current retirees to 73 percent for future retirees. Factoring in higher health care costs, the report shows retiree income falling to 55 percent of average career earnings. These estimates assume no changes to future scheduled Social Security benefits. As it is today, Social Security will be the main source of retirement income for most future middle-class retirees. Average monthly Social Security payments in 2013 are \$1,261.

Other key findings:

- Out-of-pocket medical expenses are high today, but they will more than double as a share of income for future retirees.
- Increasing health care costs are expected to wipe out projected declines in the poverty rate among retirees.
- College graduates 45 to 54 years old will struggle to regain losses from the recession, and are projected to have 19 percent less income at age 70 than current retirees with a college education.
- Continuing to work will be a key way to maintain retirement security.
- Social Security will account for 51 percent of per capita household income for future middle-income retirees—69 percent for low-income workers and 35 percent for high-income workers.
- In Oregon, over 40 percent of retired women live at or below 200 percent of the poverty level. Women who retire into poverty are less likely to be able to afford basic healthcare, staples like food and heating, and suffer serious health issues as a result.

According to the Economic Policy Institute, half of all private sector workers are not participating in an employer-based retirement plan and amongst Oregon's smallest employers less than one-third of all workers participate. The result is that low and middle income Oregonians are relying on Social Security for more between 70 – 80% of their retirement income. We all know that Social Security alone will not provide enough to pay the bills during our retirement years.

Approximately one in four older African Americans and Hispanics in families who receive Social Security benefits rely on the program for all of their income, according to the AARP Public Policy Institute (PPI) publication "Social Security: A Key Retirement Income Source for Older Minorities."

One major way to address this pending crisis is by improving retirement security in our state. Organizations around the state are joining together to start a conversation about bolstering retirement security in Oregon, many of whom have co-signed this letter in support of HB3436. The bill directs the Board to develop a plan that would include the following elements:

- Professional management of funds to ensure the best returns and advantages offered by a fund manager like the Oregon Investment Council.
- The plan should be voluntary, flexible and portable.
- The plan managers should use industry best practices to minimize risk, ensure a secure return, insure principle investments and guarantee a predictable stream of income in retirement.
- This plan should give employers the ability to retain workers who need a retirement benefit without carrying the administrative burden thereof.
- The plan should be funded, insured and structured in such a way to eliminate risk for taxpayers.
- Finally, the plan should be widely available to workers and easily accessible by those who wish to participate.
- The Board should also determine the best way to create market efficiencies and broad participation by all workers

We would like you to join us in supporting House Bill 3436 and companion legislation to create a state board to study ways to bring a secure retirement into reach for all Oregonians.

Sincerely,

Jerry Cohen, State Director
AARP Oregon

Andrea Paluso, Executive Director
Family Forward Oregon

Michael Alexander, President and CEO
Urban League of Portland

Lee Mercer, Director
Main Street Alliance of Oregon

Ron Williams, Executive Director
Oregon Action

Gail Rasmussen, President
Richard Sanders, Executive Director
Oregon Education Association

Rob Sisk
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Meg Niemi
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Steve Weiss, Chair
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Susan King, RN, MS, CEN, FAAN
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Marcia Kelley
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