



AARP Oregon  
9200 SE Sunnybrook Blvd  
Suite 410  
Clackamas OR 97015

T 1-866-554-5360  
F 1-503-682-9933  
TTY 1-877-434-7598

[www.aarp.org/or](http://www.aarp.org/or)

Written Testimony submitted March 15, 2013 to the  
Oregon House Business & Labor Committee

Good morning Chairperson Doherty and Committee members. For the record, my name is Jerry Cohen, I live in Lake Oswego and I am the State Director for AARP Oregon. AARP is the world's largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older, and their families. We have over one-half million members in Oregon, half of whom are between the ages of 50 and 64. I am delighted to testify in support of House Bill 3436.

Paramount to the American Dream is the opportunity for a healthy and financially secure retirement. However, our nation and its working families face an unprecedented crisis: a vast retirement savings deficit, estimated to be as much as \$6.6 trillion, or about \$57,000 per household.<sup>1</sup>

A recent study by the Urban Institute and AARP's Public Policy Institute found that workers today are less likely than their parents or grandparents to enjoy the living standards of their working years when they retire.<sup>2</sup> The report shows that average retiree income is projected to fall from 80 percent of average career earnings for current retirees to 55 percent, when both savings and higher health care costs are factored in. This estimate assumes no changes to future scheduled Social Security benefits.

---

<sup>1</sup> Retirement USA. *The Retirement Income Deficit* (2011).

<sup>2</sup> AARP and Urban Institute. *What Are the Retirement Prospects of Middle Class Americans?* (2013).

Yet, the myth persists that most older Americans are “well off.” The facts fail to bear that out:

- One in six Americans 65+ live in poverty<sup>3</sup>
- Half of those 65 and older had annual individual income less than \$18,500<sup>4</sup>
- For nearly a quarter of seniors, Social Security makes up 90 percent or more of family income<sup>5</sup>
- In Oregon, over four out of ten older Oregonians would live under poverty level without Social Security and Medicare. As noted in the Oregon Future Retirement Income Assessment Project reported to Governor Kitzhaber in September 2001 by the Employee Benefits Research Institute, women are most vulnerable given lower earnings, savings, rising health care costs and earned Social Security benefits.<sup>6</sup>

Social Security provides an essential baseline of income for retirees, and must be strengthened to ensure that it continues to do so for generations to come. However, Social Security was only intended to be one pillar of four addressing retirement security. The other three pillars are: Earnings (many older Oregonians are re-defining “retirement” to include at least part-time work); Employer-sponsored retirement plans (defined benefits and/or defined contributions) and individual savings; and health care coverage costs!

As things stand today, Social Security will be the main source of retirement income for most future middle-class retirees. Remember: this is not a lavish benefit. The average monthly Social Security payment in 2013

---

<sup>3</sup> AARP’s Public Policy Institute. *The New Reality: Important Facts about America’s Seniors* (2011).

The Kaiser Family Foundation. *Poverty Rates by Age* (2013).

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*

<sup>6</sup> Employee Benefit Research Institute. Oregon Future Retirement Income Assessment Project: Final Report (2001)

is \$1,261. Social Security alone will not provide enough to pay the bills during our retirement years.

Research shows that our nation's current plan for retirement security is inadequate. Boston College's National Retirement Risk Index estimates that 53 percent of households are at risk of having an insecure retirement, meaning they run the risk of being unable to afford food, medicine, or utilities.<sup>7</sup>

Following the Great Recession, retirement savings rates remain anemic. According to the Pension Rights Center, the median account balance for private-sector workers with 401(k)'s is only \$25,000.<sup>8</sup>

What is even more alarming: these are the people who are ahead of the game because they are actually planning ahead and saving! Three out of five families headed by a person 65 or older have no money in retirement savings accounts.<sup>9</sup> The state budget will be saddled with a growing burden in the future as older adults are forced to rely more and more on public safety net programs.

Astonishingly, nearly half of Oregonians aged 25 to 64 are not covered by a retirement plan at work—leaving them at risk of a financially insecure retirement.<sup>10</sup> Economically disadvantaged groups —people of color, young people, and low income earners—have the lowest access rates to employer-sponsored retirement plans.

---

<sup>7</sup> Boston College Center for Retirement Research. *The National Retirement Risk Index: An Update* (2012).

<sup>8</sup> Pension Rights Center. *How Much is Saved in 401(k)s*.

<sup>9</sup> AARP's Public Policy Institute. *The New Reality: Important Facts about America's Seniors* (2011).

<sup>10</sup> Pension Rights Center. *How Much is Saved in 401(k)s*.

There are some simple steps that we can take to avert this crisis. For instance, we know that when offered the opportunity at work to save for retirement; seven out of ten people choose to participate.<sup>11</sup>

Rebuilding the promise of financial security in retirement must include modern, expanded options. We need to explore new models for private sector retirement plans that allow workers to set aside wages through an easily accessible, safe, cost-efficient retirement savings vehicle.

House Bill 3436 takes a proactive approach towards seeking out innovative solutions to combat our state's retirement security dilemma. It creates a board with representation from employers, the public, the financial services industry, and the state's chief financial officer, the Treasurer. The board is charged with studying the issue in 2013 and 2014 and developing a responsible, sustainable plan to put before the 2015 Legislature.

Not surprisingly, there is broad based public support for state efforts to boost retirement security. In a 2013 National Institute on Retirement Security survey, 78 percent of respondents agreed that the government should facilitate a pension program in which small employers or individuals can join and invest.<sup>12</sup>

AARP believes that we all have a right to live with self-reliance and dignity in retirement. We are joining with organizations around the state to start a conversation about bolstering retirement security in Oregon. We thank you for being a part of this dialog, and ask you to keep the ball rolling by supporting House Bill 3436.

---

<sup>11</sup> *Ibid.*

<sup>12</sup> National Institute of Retirement Security. *Pensions and Retirement Security 2013: A Roadmap for Policy Makers* (2013).