

## Jensen Julie

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**From:** DeMonnin, Joyce <JDeMonnin@aarp.org>  
**Sent:** Tuesday, May 05, 2015 3:00 PM  
**To:** 'WaysandMeans.GeneralGovernmentSub@state.or.us'  
**Subject:** RE: corrected - Testimony for AARP Oregon, Subcommittee on General Government  
**Attachments:** Testimony for AARP Oregon SubCommittee.docx

Sorry – I got a little flustered by the error.

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**Sent:** Tuesday, May 05, 2015 3:00 PM  
**To:** 'WaysandMeans.GeneralGovernmentSub@state.or.us'  
**Subject:** corrected - Testimony for AARP Oregon, Subcommittee on General Government  
**Importance:** High

Hi John – One of my edits didn't get saved – can you used this instead??

Joyce

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**From:** DeMonnin, Joyce  
**Sent:** Tuesday, May 05, 2015 2:53 PM  
**To:** 'WaysandMeans.GeneralGovernmentSub@state.or.us'  
**Cc:** Bartholomew, Jonathan D.; Cohen, Jerry; Chad Cheriell; [ebrew612@comcast.net](mailto:ebrew612@comcast.net)  
**Subject:** Testimony for AARP Oregon, Subcommittee on General Government  
**Importance:** High

Dear John, Please accept this testimony for the hearing tomorrow afternoon on behalf of AARP Oregon.

Joyce DeMonnin, MPH, MBA  
Outreach Director, AARP Oregon  
(503) 513-7351 direct  
(971) 330-6459 cell



May 6, 2015

Senator Steiner Hayward

Representative Greg Smith

Ways and means Subcommittee on General Government

### **AARP Oregon strongly supports 2960**

As it stands today, one out of two households are at risk of having a financially insecure retirement.<sup>1</sup> Financial insecurity does not mean missing out on a retirement of leisure or travel, but rather that middle class households will be unable to afford food, medicine, and utilities.

**According to the National Institute on Retirement Security, the median retirement account balance is \$3,000 for all working-age households and \$12,000 for near-retirement households.**<sup>2</sup> Three out of five families headed by a person 65 or older have no money in retirement savings accounts.<sup>3</sup>

**If this worries you, you are not alone.** The overwhelming majority of Americans are anxious about their retirement prospects, with some 85 percent being concerned that current economic conditions are impacting their ability to achieve a secure retirement.<sup>4</sup>

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<sup>1</sup> Boston College Center for Retirement Research. *The National Retirement Risk Index: An update (2012)*

<sup>2</sup> National Institute on Retirement Security. *The Retirement Savings Crisis: Is it Worse than We Think?* (June 2013).

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

<sup>4</sup> National Institute on Retirement Security. *Pensions and Retirement Security: A Roadmap for Policy Makers.* (2013).

This predicament is due in large part to a lack of access to retirement plans at work. We know that when offered the opportunity to save for retirement at work seven out of ten people take advantage of it.<sup>5</sup> Individuals are 15 times more likely to save if they can do so via payroll deduction. Only 5% of workers without access to a retirement plan via their employer go out on their own to open an IRA.

Yet, almost half of Oregonians working in the private sector do not have a way to save for retirement at work. What's more disconcerting—access has declined in Oregon over the last decade, from 47.73% with access to a retirement plan via their employer in 2000 to 44.83% having access in 2012.<sup>6</sup> Nationwide, only 14% - one in seven - small businesses with fewer than 100 employees offer their employees a retirement savings account or pension plan.<sup>7</sup> Taken together, these facts mean that future retirees are likely to be over-reliant on Social Security. As it stands today, nearly 20% of Oregonian seniors rely on Social Security for almost all of their household income.

Social Security alone will not provide enough to pay the bills during retirement. The average monthly Social Security benefit in Oregon is \$1,168.<sup>8</sup> If nothing changes, Social Security will likely be the main source of retirement income for most future middle-class retirees.

Statistics show that women face special challenges in planning for financial security as they age. As you know, Social Security benefits are based on work history. Women tend to receive lower benefits because they work fewer years than men, and at lower salaries. In the aggregate, women's annual Social Security benefits were 78 percent of men's in 2012.<sup>9</sup> Women face quite a headwind; they earn less, live longer and typically spend more on medical expenditures.<sup>10</sup>

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<sup>5</sup> Pension Rights Center. *How Much is Saved in 401(k)s*.

<sup>6</sup> National Institute on Retirement Security. *Financial Security Scorecard: A State-by state Analysis of Economic Pressures Facing Future Retirees*. (March 2014). \* Note 2012 was last year of scorecard.

<sup>7</sup> Government Accountability Office Testimony Before the Committee on Health, Education, Labor, and Pensions, U.S. Senate Challenges and Prospects for Employees of Small Businesses

<sup>8</sup> OASDI Number and Total Monthly Benefits For Beneficiaries, Age 65 or older, 2011.

<sup>9</sup> Mikki D. Waid, PhD. *Women Face Tough Challenges in Retirement ... But Can Overcome Them!* (April 2013)

<sup>10</sup> According to the Social Security Administration The 2012 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. "At age 65, women have an average life expectancy of 21 years, compared to 19 for men. According to the Bureau of Labor Statistics. "In 2012, women's salaries averaged 76 cents on the dollar, compared to men's salaries." According to the U.S. Census Bureau. Annual Social and Economic Supplement, PINC-02.

Planning for retirement is an even greater burden for economically disadvantaged groups, people of color, and part time employees as they have the lowest access rates to employer-sponsored retirement plans. Only 54 percent of African American employees and 38 percent of Latino employees age 25-64 work for an employer that sponsors a retirement plan, compared to 62 percent of Caucasian employees.<sup>11</sup>

There is widespread agreement that Oregonians are not financially prepared for retirement. If the State does not act now, taxpayers will face higher social safety net program costs in the decades to come.

There are simple steps that can be taken to divert this trend. The best way to improve retirement security is to ensure that everyone who works has access to a retirement plan that enables workers to save automatically out of every paycheck and whose funds are invested professionally at a low cost. That is the goal of House Bill 2960

There has been lots of debate about this legislation. AARP would like to devote time to dispelling misconceptions.

### **MyRA is not a solution**

You will likely hear from opponents that there is already a federal solution to this problem: myRA. While myRA is an additional tool in our retirement security toolbox, it is not a panacea. Nationwide, myRA is not broadly available to workers and its use is not automatic. Furthermore, it has a few serious limitations. Investments are limited only to bonds, preventing savers from taking full advantage of the market. Furthermore, individuals can only set aside \$15,000 in their accounts before hitting a savings cap.

### **Financial Education won't solve the problem**

You will also hear that all we need is better financial education. Recall that over the last decade access to retirement plans has declined, 401(k) balances have stagnated, and healthcare costs have risen. Although education is necessary, it is certainly not sufficient to solve this problem.

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“In 2010, the typical women’s retirement income was 59 percent that of a typical man’s.” According to Claire Noel-Miller, PhD. Medicare Beneficiaries’ Out-of-Pocket Spending for Health Care, AARP Insight on the Issues 65, May 2012. In 2007, older women’s typical out-of-pocket spending was \$3,319 compared to \$2948 for men.

<sup>11</sup> National Institute on Retirement Security. *Race and Retirement Insecurity in the United States* (December 2013).

## **What about ERISA**

You may also hear opponents cite ERISA concerns. The legislation before your committee has been carefully crafted to respect the United States Department of Labor ERISA safe harbor guidance. Employers responsibility is minimal, largely payroll deduction procedures with which they are already familiar. Employers do not give advice, advocate for a plan, or even contribute under this model. The bill explicitly states that they can't be responsible for market gains and losses of their employees.

AARP is excited about the flexibility and choice that these plans offer. Employers always retain the right to use the retirement product of their choosing, and it is always voluntary for employees. This committee is voting on a plan to create a plug and play option for small businesses that reduces their administrative and legal burdens.

Further, President Obama's Fiscal Year 2016 budget includes language supporting this state centered approach to retirement security, including funding for a pilot program for Department of Labor to work with states on this very concept.

Despite all of this, opponents will argue that ERISA is still an issue. They assume that legislators will hear that acronym and run for the hills. It's vital to remember that ERISA is not something big and scary. It is a federal law aimed at *protecting* consumers!

## **The Time to Act is Now**

There are numerous benefits to addressing the retirement insecurity problem head on. A January 2015 study in Utah analyzed the cost of financial insecurity in retirement to state taxpayers.<sup>12</sup> The report found by increasing the net worth of the poorest third of Utahns' by a modest 10%, the state would save almost \$200 million over the next 15 years. The most troubling statistic to come out of the report: nearly a fifth of retirees enter retirement with negative liquid assets; in other words, 20% of people are retiring in debt.

AARP is taking a state-centered approach to filling the retirement savings gap. We have worked with nearly two dozen state legislatures and state elected officials in consideration of a wide array of approaches to this crisis, involving: Auto IRA, Secure Choice, retirement marketplaces and other savings models.

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<sup>12</sup> The Cost of Retiring Poor: Cost to Taxpayers of Utahns Retiring Poor. (January 2015)

Several notable events have transpired over the last few months. The Washington State Legislature passed legislation on a bipartisan basis establishing a small business retirement marketplace, which has the potential to help more than 1 million workers save for retirement via payroll deduction. This bill was passed with the support of SIFMA and ACLI.<sup>13</sup> In January, the Governor of Illinois signed auto IRA legislation that will help 2.5 million residents save for a financially secure retirement. Secure Choice, as it is known, had a broad array of supporters, including: TIAA- CREF, Cabrera Capital, Ariel Investments, American Society of Pension Professionals and Actuaries, Illinois Black Chamber of Commerce, and National Association of Women Business Owners. In fact, Cabrera's founder said the following about Illinois' legislation: "Secure Choice opens up access to a secure and affordable employment-based retirement savings opportunity from which minority communities have been historically excluded. It will also help to create a culture of saving and financial literacy that will benefit financial services firms."

AARP expects 20 plus states to address the issue of private sector retirement security this year. Many of these states have taken their cue from Oregon on this issue. Your state took the lead by passing House Bill 3436 in 2013; I ask you today to reaffirm your commitment to financial security by supporting House Bill 2960.

Respectfully submitted,

Jerry Cohen, AARP Oregon State Director

Chad Cheriell, AARP Oregon President

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<sup>13</sup> Washington Senate Bill Report ESSB 5826. Available Online: <http://lawfilesexxt.leg.wa.gov/biennium/2015-16/Pdf/Bill%20Reports/Senate/5826-S.E%20SBR%20HA%2015.pdf>

# SECURING TOMORROW: OREGON SMALL BUSINESS OWNERS AND RETIREMENT SAVINGS PLANS



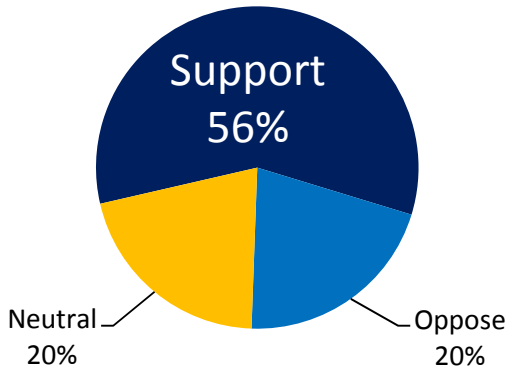
Survey findings show many Oregon small business owners and decision makers (those with 1-100 employees) see the value in saving for retirement- three in four have a personal retirement savings plan- but many face challenges to providing a retirement savings plan to their employees. Three in five do not provide a workplace retirement savings plan. Cost is cited as the top reason small business owners do not provide a retirement plan.

Most business owners agree that saving through work is important. Over half support an Oregon retirement savings plan that would help Oregonians build their own private retirement savings, and two in three agree that Oregon should do more to encourage residents to save for retirement.

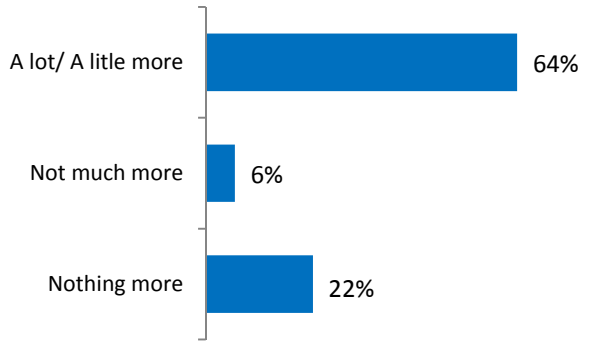
## SUPPORT FOR OREGON RETIREMENT SAVINGS PLAN

*Over half of all small business owners support an Oregon retirement savings plan and agree that Oregon should do more to encourage residents to save for retirement*

Support or Oppose a Oregon Retirement Savings Plan

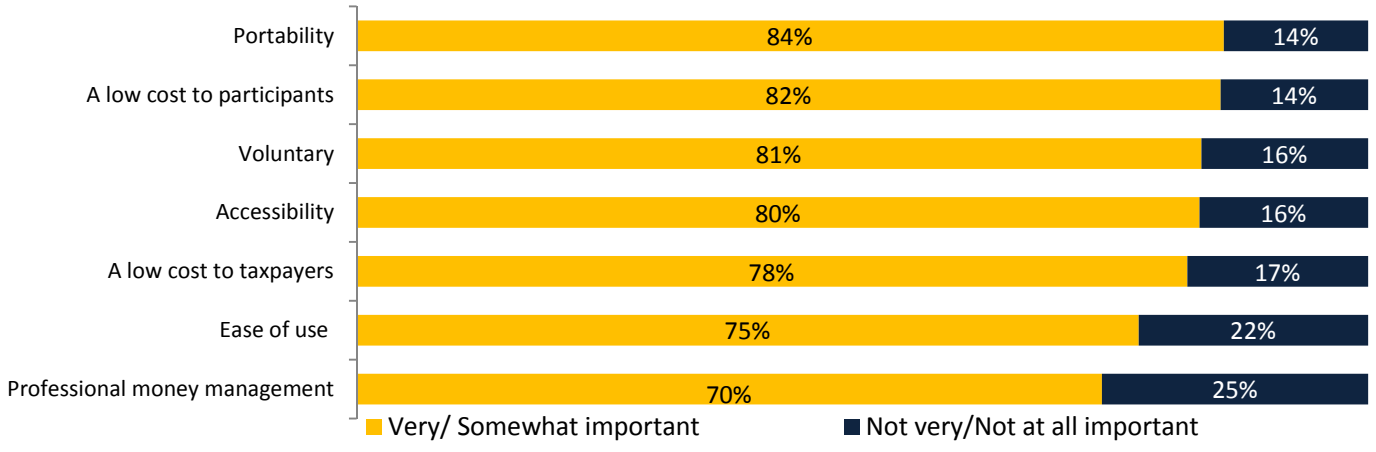


Oregon Should Encourage Residents to Save for Retirement



## IMPORTANT RETIREMENT SAVINGS PLAN FEATURES

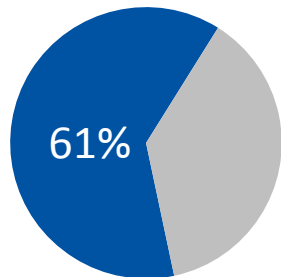
*Oregon business owners favor voluntary, low cost plans that follow employees from job to job*



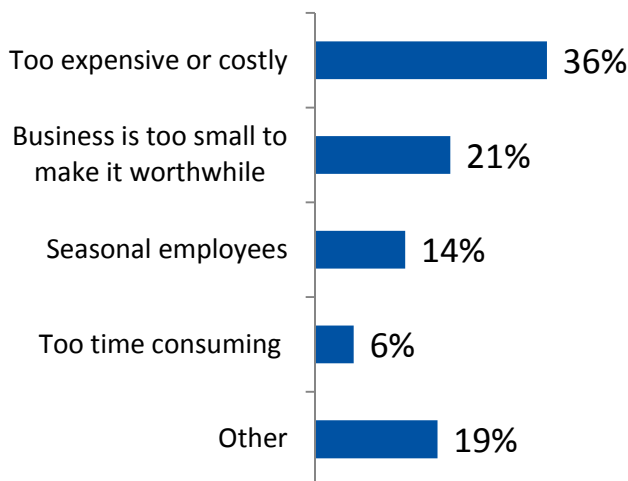
# DO NOT OFFER RETIREMENT SAVINGS PLAN

3 in 5 small businesses do not offer a retirement savings plan

Main Reason for Not Offering a Retirement Savings Plan  
Among Small Businesses That Do Not Offer a Plan



Do not offer retirement savings plan

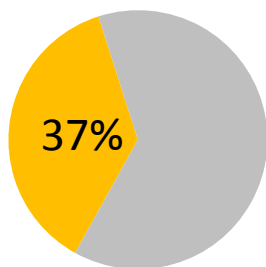


**43%**  
of those who do not offer a workplace savings plan for retirement would take advantage of a state plan if offered

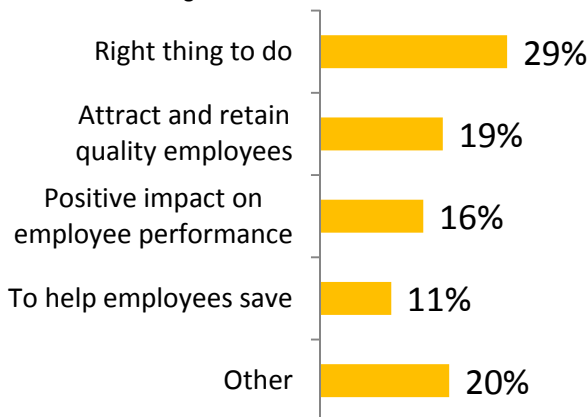
# OFFER RETIREMENT SAVINGS PLAN

1 in 3 offer a retirement savings plan because it benefits the business and the employees

Main Reason for Offering a Retirement Savings Plan  
Among Small Businesses That Offer a Plan



Offer retirement savings plan



**57%**  
of those who offer a workplace retirement savings plan offer a 401k or 403b

## Demographics n=452 small businesses with 1-100 employees

**Business Size:** 1-4 employees: 51%, 5-10: 23%, 11-100: 26%

**Business Type:** For Profit: 86%, Non-Profit: 14%

**Business Tenure:** 0-14 years: 33%, 15-29 years: 31%, 30+ years: 36%

**Age:** 18-49: 35%, 50-64: 38%, 65+: 23%

**Gender:** Male: 44%, Female: 56%

**Have a retirement plan for themselves:** Yes: 76%, No: 23%

**2014 Revenue:** Less than \$50,000: 18%, \$50-\$500,000: 48%, \$500,000+ : 21%

**Ideology:** Conservative: 41%, Moderate: 24%, Liberal: 25%

**Political Party:** Democrat: 25%, Republican: 32%, Something else: 38%

Contact Brittne Nelson, PhD AARP Research [bnelson@aarp.org](mailto:bnelson@aarp.org) (202) 434-6307 or Jerry Cohen, AARP Oregon [jcohen@aarp.org](mailto:jcohen@aarp.org) (503) 513-7373 for more information.

## Methodology

The 2015 Oregon Small Business Owner Financial Security Survey was conducted as a telephone survey among business owners with 1-100 employees. The survey examined opinions and experiences related to retirement savings issues. The survey was 11 minutes in length. Business owners received \$5 compensation for completing the survey. A total of 452 interviews were conducted by the American Institute of Consumer Students from March 8th to March 31st, 2015. The data was not weighted.

Full survey annotation available at <http://www.aarp.org/OregonWorkandSave>