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Good morning Co-Chairpersons Steiner Hayward and Smith and Sub-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.¹

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.² 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.

¹ Retirement USA. *The Retirement Income Deficit* (2011).

² 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 poverty³
- Half of those 65 and older had annual individual income less than \$18,500⁴
- For nearly a quarter of seniors, Social Security makes up 90 percent or more of family income⁵
- 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.⁶

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

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

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

⁴ *Ibid.*

⁵ *Ibid.*

⁶ 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.⁷

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 \$25,000.⁸

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.⁹ 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.¹⁰ Economically disadvantaged groups—people of color, young people, and low income earners—have the lowest access rates to employer-sponsored retirement plans.

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

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

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

¹⁰ 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.¹¹

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.¹²

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.

¹¹ *Ibid.*

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

Every Oregonian deserves accessible retirement plan

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With recent national news coverage of Medicare and Social Security — and the debate over PERS here at home — many of us have retirement on our minds. These days, it's more and more common to hear people joke that "I'll have to work until I die."

The American Dream of working hard for 30 years and then enjoying a secure retirement seems to be slipping out of reach.

The statistics are alarming: three out of five families headed by a person 65 or older have no money in retirement savings accounts. Up to 80 percent of low- and middle-income Oregonians are relying predominantly on Social Security for their retirement income — and at an average monthly payment of \$1,261, we know that's not enough.

Some might dismiss this as a personal problem; after all, it's up to each of us to make our own decisions about how we spend our money. But every dollar Oregon spends on safety net services for older adults who can't afford basic living and medical expenses is a dollar we can't spend on other essential services like education and public safety.

This makes retirement more than an individual issue: it's a community issue.

So how do we put secure retirement back in reach?

We believe a key part of the solution to this long-term problem is to make it easy, safe and cost-effective for every working Oregonian to save money for retirement.

Oregon House Bill 3436 is a critical step in the right direction. The bill brings together industry, public and financial leaders to develop recommendations for a secure, accessible retirement investment



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GUEST OPINION



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GUEST OPINION

plan for Oregonians who don't have employer-sponsored options, and sends the plan to the 2015 state Legislature for approval.

One of the biggest predictors of whether an individual will save money toward a secure retirement is whether or not they have access to an employer-sponsored retirement savings plan.

Today, nearly half of Oregonians aged 25 to 64 are not covered by a retirement plan at work. Economically disadvantaged groups — people of color, young people and low-income earners — have the lowest access to employer-sponsored plans.

The problem is compounded by the fact that Oregon is a small business state. Many small businesses would like to offer retirement investment options to their employees, but currently find it difficult and cost-prohibitive to establish their own retirement plan.

With other, louder debates on retirement raging at the state and federal level, HB 3436 has largely flown under the radar to date; but we believe it is easily one of the most important pieces of legislation under consideration this session.

It is a proactive solution to a pending crisis, and it has the potential to create opportunity and security for Oregonians at every income level. Most importantly, it will put retirement back in reach for individuals, communities and our state.

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Survey: Half of Oregon worries about retirement



by KGW staff

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PORTLAND -- Prior planning prevents poor performance, which could certainly be said of retirement plans.

A new survey by Wells Fargo finds shows many are not as ready as they should be.

The national survey talked to adults ages 25-75 and half the participants were from Oregon.

In a nutshell many are not doing what they need to in order to prepare for life after work.

Half of Oregon residents worry they won't be able to save enough to support themselves in retirement, and about a third of Oregonians surveyed said after paying living expenses, they don't have enough to save for the future. They are living paycheck to paycheck.

“Where the planning piece comes in to really help people instill discipline in the process, pay themselves first, making sure they put even just a little bit back into their retirement plan if they can,” said Chris Cline with Wells Fargo bank.

Oregonians under 50 are the most worried about how they will fund a retirement savings plan.

Most experts agree you need to start early during in order to be ready retirement by paying yourself first.

KGW business reporter Joe Smith contributed to this report.



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Everything Oregon

Recession left Generation X least prepared for retirement, study finds

[Brent Hunsberger, The Oregonian](#) By [Brent Hunsberger, The Oregonian](#)

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on May 16, 2013 at 2:00 PM, updated May 16, 2013 at 2:06 PM

Generation Xers lost the most wealth during the Great Recession and now have a greater likelihood of slipping to a lower standard of living in retirement than do older Americans, a new research report finds.

Americans born between 1966 and 1975 lost nearly half, or \$33,000, of their already small stashes of median wealth between 2007 and 2010, according to the [Pew Charitable Trusts](#), a nonprofit research group.

Now aged 38 to 47, Generation Xers also appear to have saved and accumulated only enough wealth to replace 50 percent of their pre-retirement income, Pew's projections show. Financial planners usually aim for retirees to live on between 70 and 100 percent of the income they made before retirement.

"Gen Xers really experienced the largest percentage declines in their median net worth," said Erin Currier, director of Pew's economic mobility project. "They lost nearly half their wealth. They also experienced the largest decline in home equity."

The relatively young age group also had assets that amounted to less than twice their amount of debt. Adults born during World War II, by comparison, had 27 times as much assets as debt.

Pew's study, "Retirement Security Across Generations," examined data on income, savings and home equity for members of U.S. households between ages 38 and 87. It also tried to gauge income replacement rates in retirement by calculating savings, average life expectancy, income while working and the value of pensions and Social Security benefits.

Late Generation Xers and those from Generation Y or the Millennial Generation, born between 1981 and 2000, were not examined because their income histories and wealth were not as clear, Currier said.

Across all age groups, the recession impacted singles and couples vastly differently, Pew found. Anywhere between one-third and one-half of each age groups examined saw gains in either net worth, home equity or

retirement account balances between 2007 and 2009.

Those Generation Xers most prepared for retirement have replacement rates 12 times above their average peers, reflecting a growing inequality in retirement readiness across age groups, Pew found. Nearly half of Gen Xers saw median gains in retirement savings of \$11,000 by 2009.

Early Baby Boomers, now between ages 58 and 67, are better poised for retirement than generations before them. Despite the recession, they had enough resources to replace 70 to 80 percent of their income in retirement, Pew found. They're also approaching retirement with higher levels of debt than their predecessors.

* By contrast, Late Boomers – now between 48 and 57 years old -- appear to have only enough resources to replace 60 percent of their pre-retirement income, the study found.

Every age group, except retirees born during the Depression-era of 1926 and 1935, lost considerable amounts of wealth during the recession. But relatively speaking, younger adults took a greater hit relative to their overall wealth.

Despite the housing bust, every age group studied ended up with more home equity than before the housing boom began. Generation X homeowners' median home equity more than doubled between 1998 and 2010. Yet only two-thirds of Generation Xers owned a home in 2010, so one-third missed out on that equity run up, Pew found.

The study relied on the Federal Reserve's Survey of Consumer Finances and the University of Michigan's Panel Study of Income Dynamics. Find the study at www.pewstates.org.

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Oregon Retirement

A Few Facts about the Retirement Security Crisis in America

Americans are less prepared for retirement today than in previous decades

- For decades, Americans had access to a strong three-lane highway to retirement — traditional defined benefit pensions, Social Security, and individual savings. **Today, more than 70 million American workers do not have any type of employer-sponsored retirement plan leaving them more likely to rely on Social Security as their only source of retirement income.**¹
- **Economically disadvantaged groups —people of color, young people, and low income earners—have the lowest access rates to employer-sponsored retirement plans.** Among fulltime employees, less than half of African American, Latino and low income workers have access to a retirement plan.²
- Only 17 % of private sector and public sector workers have access to traditional defined benefit pensions, which provide retirees with reliable, modest income.³ Although growing number of employers are switching to 401 (k)-style defined contribution plans, experts find households with 401 (k) accounts have less than one-quarter of what is needed to maintain its standard of living in retirement.⁴

Our looming retirement security crisis threatens the American Dream

- An overwhelming majority of Americans are anxious about their ability to retire in today's economy. **A recent Gallup poll found that found that more people were worried about retirement than health care costs or monthly bills.**
- Many older workers are delaying their retirement in response to the losses they incurred during the recent Wall Street-induced housing crisis and stock market crash which resulted in the loss of \$2.8 trillion in 401 (k) and individual retirement accounts savings. **The Bureau of Labor Statics estimates that at least 10 percent of Americans age 75 or older will be working or seeking employment by 2018.**

¹ Americans for Secure Retirement

² Robert Hitonsmith. The Failure of the 401 (k): How Individual Retirement Plans are a costly gamble for American Workers. Demos: New York City.

³ New York Times - http://www.nytimes.com/2012/03/08/business/retirementspecial/recovering-from-a-crash-to-make-a-second-act.html?_r=2&pagewanted=1&ref=stevengreenhouse

⁴ National Institute on Retirement Security

- **Three out of five middle-class new retirees can expect to outlive their financial assets if they attempt to maintain their pre-retirement standard of living.** The average retired middle-income American will have to reduce their standard of living by 51 percent to avoid outliving their financial assets.
- The economic challenges of today's seniors has caused them to rely more on their children, who are already faced with the expenses of raising their own families, fueling an ongoing cycle and causing long-term effects that impact the retirement security of future generations.
- A survey of AARP Oregon members found that people 50+ experienced life events that impacted their economic securing including:
 - Reduction in income (32%)
 - Debt problems (12%)
 - Loss of a job (12%)

Finding solutions to deliver retirement security

- Retirement experts agree that rebuilding the promise of retirement security will mean strengthening and expanding options for guaranteed retirement income. Rates of poverty among old households without guaranteed pension income were about six times greater than those with it.
- **Social Security is an integral part of solving the retirement security crisis, but the system must be improved.** Social Security benefits are less than \$1,200 per month for millions of retired low wage workers with no other source of income. Strengthening Social Security by making everyone pay their fair share into the trust fund could improve benefits for current retirees and ensure Social Security's solvency for future generations.
 - Oregon Social Security recipients who rely on Social Security for 90% or more of their income: 21.8%
 - Oregon Social Security recipients who rely on Social Security for 50% or more of their income: 52.1%
- **Efforts to deliver retirement security to more Americans must include exploring new models for private sector retirement plans.** These new plans would allow workers to set aside wages through a vehicle that provides guaranteed retirement income, as well as strengthening the rules for existing multi-employer and single-employer defined benefit funds to protect their participants.