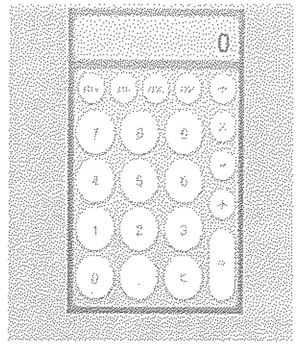

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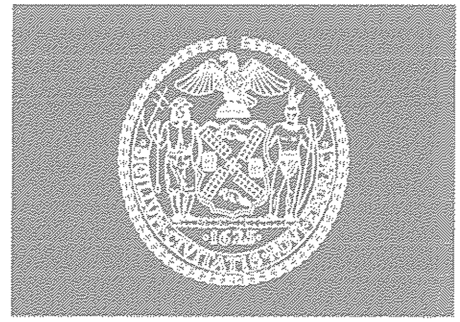

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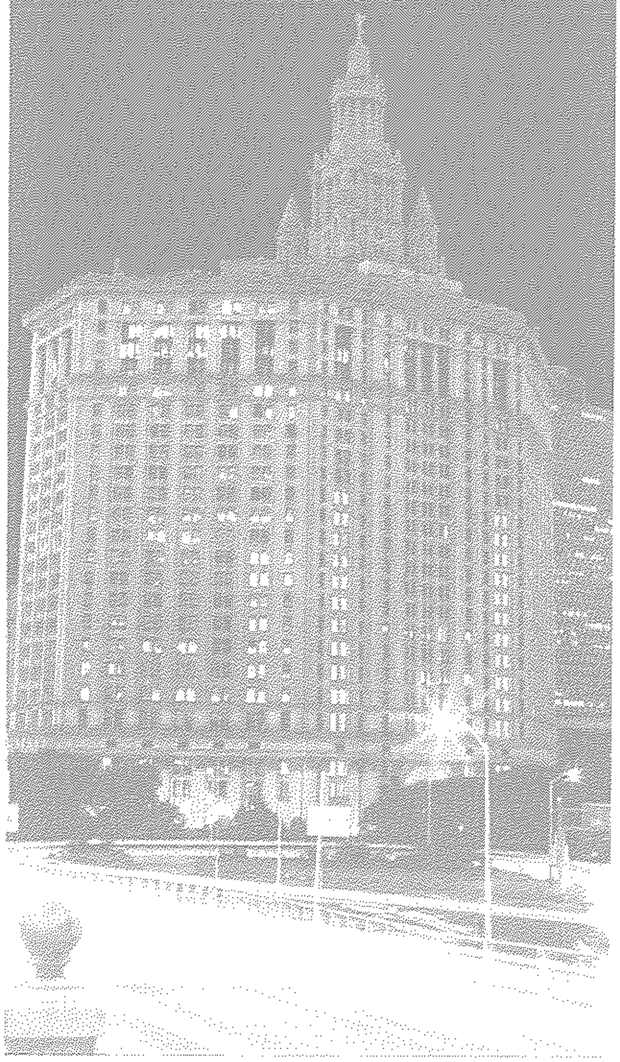

POLICY REPORT:

Saving New York City Through Retirement Savings

New York City's Looming Retirement Crisis: A call for action

New York City Public Advocate
Letitia James

June 2015

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Executive Summary

An alarmingly high number of New Yorkers are unprepared for retirement, a situation that is only expected to get worse as fewer employers offer retirement benefits to their employees and as New York's senior population grows to record highs. The result will be a crushingly high number of seniors struggling to meet basic needs: housing, health care, and daily expenses. By 2035, there could be more than 644,500 retired senior New Yorkers living on less than $540 a week, rising to 709,000 by 2040.[i]

Few New Yorkers in the workforce today are adequately saving for retirement. Most New Yorkers close to retirement age have less than $100,000 saved; 40 percent have less than $10,000 put aside.[ii] Nationally, 30 percent of Americans nearing retirement have zero retirement savings.[iii] In New York City, where retirement plan enrollment rates are lower than the U.S. as a whole, the percentage of people with no savings is likely to be even higher.

One reason for this gap: fewer New Yorkers are offered a retirement savings plan by their employer. The percentage of workers in New York City with access to an employer-sponsored retirement plan has been dropping for decades, with only 41 percent of working New Yorkers having access today. [iv]This means that 1.8 million working New Yorkers do not have access to a retirement plan through their employer.

Even among those with retirement plans, fewer have access to the most secure form of retirement: a defined benefit plan, or pension. Whereas 44 percent of current retirees receive pension income nationally, only 19 percent of working-age Americans can rely on this type of income when they retire.[v] Among working New Yorkers aged 25-44, only eight percent say they have access to a defined benefit plan.[vi]

Certain demographic groups tend to have less in retirement savings than the average New Yorker. Those with lower incomes and working in certain industries—personal services, construction, and leisure and hospitality—have less savings. Women, minorities, and immigrants are also less likely to have access to a retirement plan and have less in savings.

The problem of inadequate savings is more pronounced when considering the high cost of housing in New York City and how that impacts seniors. Today, 47 percent of those over the age of seventy in New York are rent burdened, even after factoring for the housing subsidies they receive. Without subsidies, two-thirds would be rent-burdened. [vii]

These troubling trends are the result of a broken retirement system. Taken together, they point to a need for city government to intervene and give New Yorkers a path towards retirement security. By providing New Yorkers access to a centrally-managed retirement plan, the City can mitigate the impacts of our collective lack of retirement preparedness and avert a crisis among the City's senior population and the City at-large.

How Much Does It Cost to Retire in New York?

Everyone knows they should be saving for retirement. In fact, not having enough money for retirement is the foremost financial concern for Americans. It is more of a concern than several other financial considerations including health care, mortgages, and saving for their child's college tuition.[viii] Despite Americans' consciousness of the issue, the actual amount needed to retire comfortably can still come as a shock to many. The amount an individual needs depends on many factors, including the age at which he or she chooses to retire, how long they live, whether they own their home, and the type of lifestyle the individual expects or desires to lead.

The Center for Retirement Research at Boston College has shown how the amount needed for a secure retirement has increased over the past several decades. Higher life expectancy, rising healthcare costs, higher prices at the supermarket, and the increased retirement age for Social Security benefits (now 67 years) has resulted in higher expenditures for retirees.

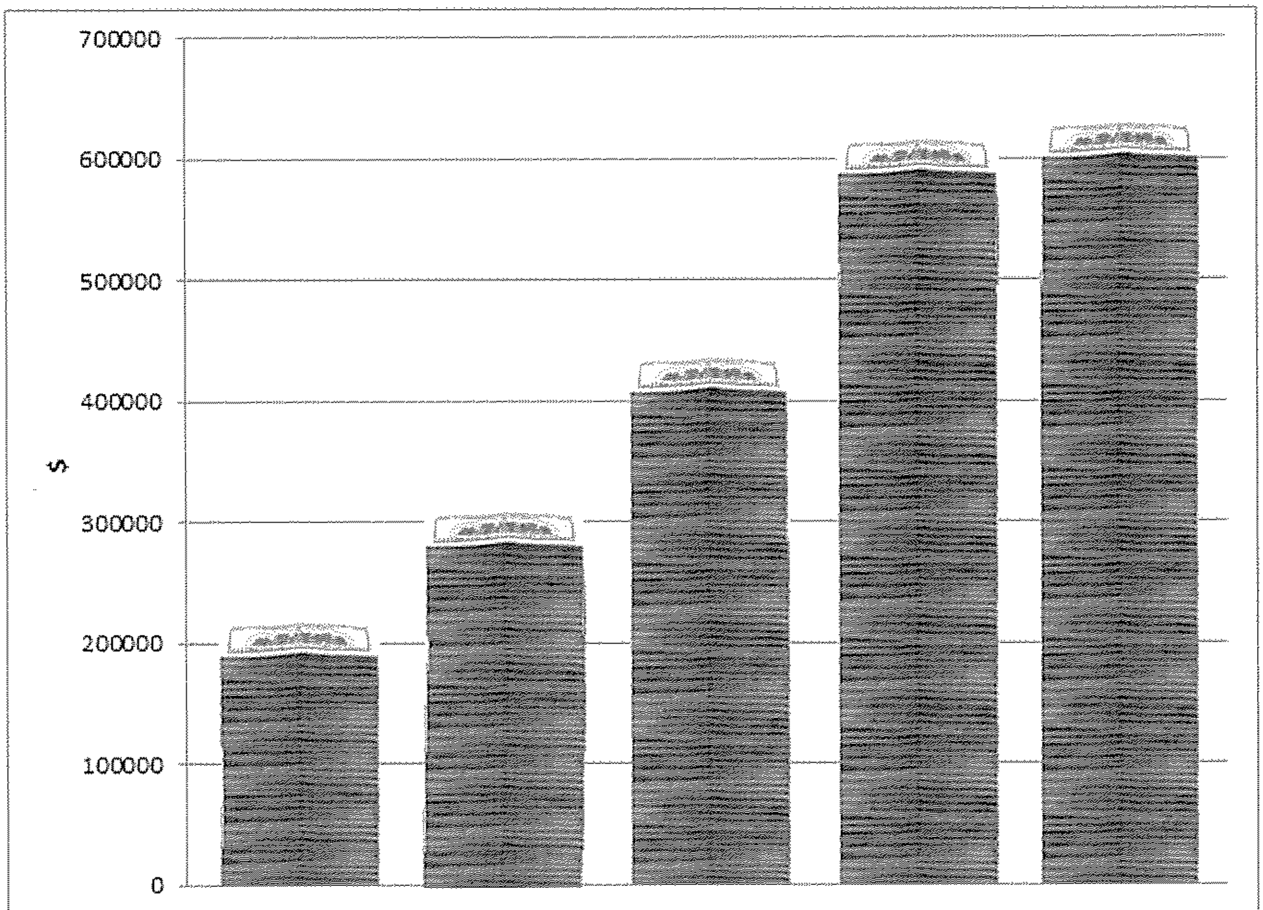
One way to measure how much total retirement income a person will need is to use the poverty threshold as the bare minimum. According to the Center for Economic Opportunity (CEO)[ix] , the poverty threshold for a single adult was $14,371 as of April 2014.[x] This means that if a New Yorker wishes to retire today at age 65, and assuming he or she lives to be 80 years old, they will need $215,565 in retirement savings and income just to live at the poverty line. Accounting for projected inflation, a worker that is 50 years old today and wishes to retire at age 65 would need $306,314 in savings.[xi]

For someone that retires today, to live at twice the poverty threshold for 15 years, or $28,750 a year, one would need $431,130 in retirement savings and income. A 50-year old worker would need $612,629. For poverty-level and near-poverty-level seniors, their Social Security income will make up a significant percentage of their total retirement income.

Another way to measure retirement readiness is to use a "replacement rate," or the percentage of pre-retirement income that is "replaced" by one's retirement income. Experts commonly say that a replacement rate of 70 to 75 percent of pre-retirement income is most appropriate. Low-income households would need to save less overall, whereas high-income households would need to save more. In New York City, where median income was $59,259 last year, the median amount in retirement savings and income needed to retire today, based on a 70 percent replacement rate over 15 years, would be $622,219.

The problem is that very few New York City households have put aside the amount needed for a secure retirement, no matter which measurement is used. Less than 77 percent of near-retirement households have more than $300,000 in liquid assets.[xii] Forty percent have less than $10,000 in retirement savings.[xiii]

How Much Retirement Income and Savings Will I Need? (If retired 15 years)



Retiring Today at Poverty Level $215,000	**50-year Old Retiring in 17 years at Poverty Level $306,000**	**Retiring Today at 2X Poverty Level $431,000**	**50-year Old Retiring in 17 years at Poverty Level $612,000**	**Median Income Worker Retiring Today $622,000**

Adding to the looming threat is the fact that younger workers will be at a higher risk of having to significantly reduce their standard of living in retirement. The Center for Retirement Research's National Retirement Risk Index shows that in 2013, 59 percent of workers aged 30-39 would have a lower standard of living in retirement, versus 45 percent of those aged 50-59. [xiv]

[1] In New York City, where the cost of living is higher than in much of the nation, it is most appropriate to use the poverty measure developed by the city's Center for Economic Opportunity (CEO), created specifically for city residents.

MINORITIES, IMMIGRANTS, AND WOMEN HAVE LESS SAVINGS

Generally, minorities, immigrants, and women are less prepared for retirement than whites and males. Workers of color are less likely to have access to an employer-sponsored retirement plan. Only 38 percent of Black employees, 30 percent of Latino employees, and 26 percent of Asian employees have access to a retirement plan through their employer, compared to 53 percent of white employees.[xv] The reason: Blacks, Asians, and in particular Latinos are less likely than whites to be employed in industries and occupations that provide high wages and workplace benefits, including retirement benefits.

Three out of four Black households and four out of five Latino households age 25-64 have less than $10,000 in retirement savings, compared to one out of two white households.[xvi] Two-thirds or more of Black and Latino households have no retirement savings at all.[xvii] Again, this gap is rooted in the racial inequality in household income.

Overall, women have just two-thirds the savings as men.[xviii] An analysis by Vanguard, an investment management company, found that women with savings have an average balance of $78,000, compared with the male average balance of $121,000.[xix] Again, this disparity is linked with lower incomes and lifetime earnings. Women are paid only 78 cents on the dollar for the same type of work as men, and women are more likely to take time out of the workforce to care for children or aging parents.[xx] Women must also save more overall since they generally live longer than men—five years longer in New York City. The consequences are already being felt today. Nationally there are twice as many women over 65 years of age living in poverty than men, at 2.6 million women compared with 1.3 million men.[xxi]

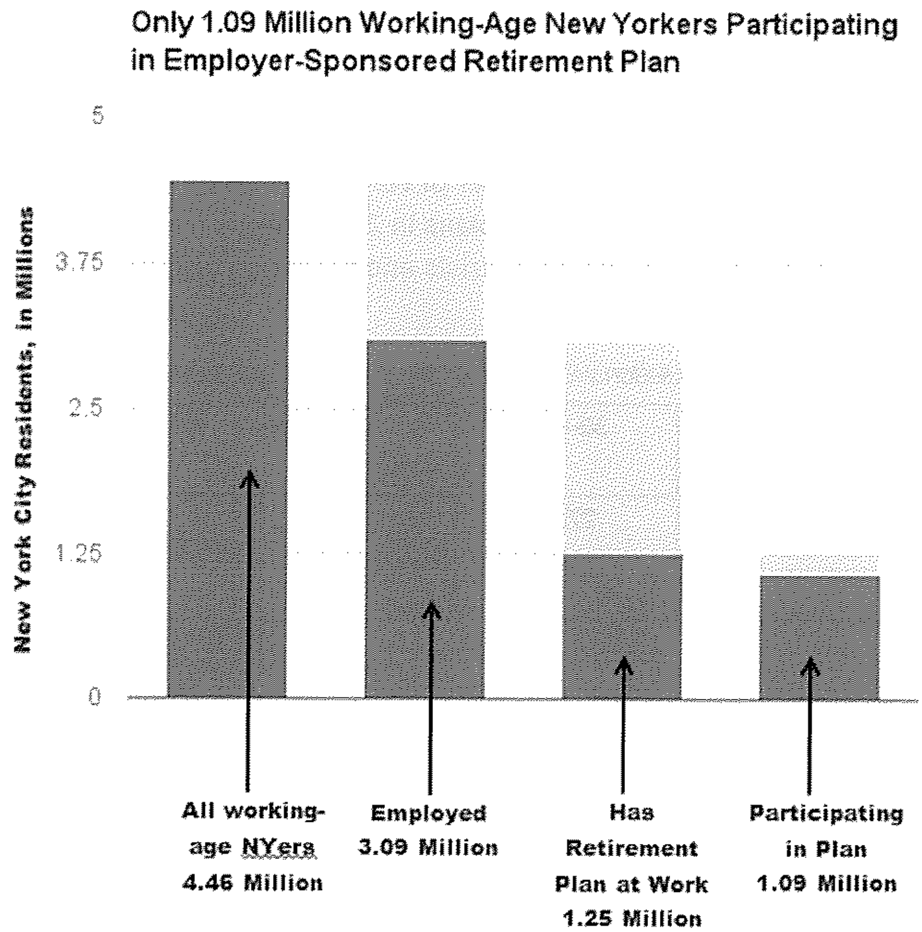
A BROKEN RETIREMENT SYSTEM

The lack of retirement savings among New Yorkers is a symptom of a broad shift away from employer-sponsored retirement plans. Whereas workers traditionally saved for retirement through employer-sponsored plans, today the relationship between the workplace and retirement is quickly eroding. Fewer workers have access to any type of retirement plan through their employer, and fewer still are offered the most secure form of retirement plan: a defined benefit plan. The evidence suggests that these trends will continue.

Only 41 percent of working New Yorkers had access to an employer-sponsored retirement plan in 2011, down from 49 percent a decade ago.[xxii] Fewer still actually participate in their plan—about 13 percent decline to participate. When factoring in the unemployment rate in 2011, only one-quarter of working-age New Yorkers, regardless of their employment status, were participating in a retirement plan.

Even so, not all retirement plans are equal. Defined benefit plans, otherwise known as pensions, provide the most retirement security. Those with a pension in New York have replacement rates of 90 percent, compared with just 48 percent for those with a defined contribution plan like a 401(k).[xxiii]

Unfortunately, the number of Americans with defined benefit plans has dropped significantly over the past several decades. In 1985, over half of American workers nearing retirement had a defined benefit plan. In 2009 only 29 percent could count on pension income when they retired.[xxiv] Today, only 24 percent of Fortune 500 companies offer any type of defined benefit plan, dropping from nearly 60 percent in 1998.[xxv]



Employers have quickly moved away from pensions and replaced them with defined contribution plans (401(k)s). While defined contribution plans offer more portability and flexibility as compared to traditional pensions, the move shifts much of the financial burden-and risk-onto workers. These plans are often vulnerable to market downturns. During the 2008 financial crisis, the typical U.S. worker saw their 401(k) plan lose 24 percent of its value.[xxvi]

Furthermore, 401(k) plans are embedded with high fees that are passed on to the account holder. One estimate is that the average American household with a 401(k) will pay $155,000 over their lifetime in fees for the administration of their account.[xxvii]

Among employers that do offer 401(k) plans, fewer continue to match employee contributions. Small businesses in particular struggle with the cost and complications of administering 401(k) plans. An employer match can significantly boost a worker's retirement savings, but the number of companies making a match on employee 401(k) plans fell by seven percent between 2009 and 2012.[xxviii] The same survey found that the number of companies offering 401(k) plans also dropped during this period. There were 520,000 active plans in 2009, dropping to 472,000 in 2011, a change that may be attributed to the financial crisis and recession of 2008. It remains to be seen whether this trend continues.

Percent of U.S. Population without Retirement Savings or Pension, 2013[xxix]

Age	18-29	30-44	45-59	60+	Overall
No retirement savings or pension	50.5	27.8	23.0	15.4	30.9

Of course, the most troubling trend of all is the growth in those with no plan at all. Though Social Security income is not enough to cover all of an individual's needs—especially in New York City—the safety net provided by the Social Security system will help prevent extreme destitution among the city's lowest-income seniors. In 2009, the latest year for which data is available, the average male retiree aged 65 received $18,720 in annual Social Security income, the average female received $13,848, and the average married couple received $32,568.[xxx] Such income would push a retired New Yorker to the very edge of the city's poverty threshold. And with the cost of living only rising, especially the cost of health care, many seniors may be pushed into a precarious position with respect to housing and health care, among other considerations.

MORE SENIORS THAN EVER BEFORE, AND MORE ARE EXPECTED TO BE LIVING IN POVERTY

Today, 21 percent of city seniors are living below the CEO poverty threshold, a rate exactly equal to the poverty rate for the city as a whole.[xxxi] But given the fact that younger workers are less likely to have access to a defined benefit plan—let alone access to *any* type of retirement plan—it is very likely that in the future the city's senior poverty rate will be significantly higher than it is today.

By 2035, the city's senior population is expected to peak at 1.5 million, a dramatic 43 percent increase over the number of seniors today.[xxxii] And as the overall senior population grows, demographic factors show us that the poverty rate among this larger senior population will increase. For instance, while the poverty rate for all seniors in New York City is 21 percent, there are significant disparities among ethnic and racial groups. In 2011, the poverty rate for white New Yorkers over 65 was 12 percent, compared with 20 percent for Black New Yorkers, 31 percent for Hispanics, and 27 percent for Asians. At the same time, the number of white seniors in New York City declined 12 percent between 2000 and 2011, while the number of seniors increased 43 percent among minority groups.

Adding to the problem, New York's large and growing senior immigrant population—the largest in the nation—is less likely to receive Social Security benefits. Thirty-one percent of immigrant seniors in New York City do not receive Social Security benefits, compared to only 18 percent of the native-born senior population.[xxxiii] Even if they do receive benefits, foreign-born New Yorkers tend to have less in their Social Security accounts from which to draw on during retirement. Mexican-American seniors, for example, receive $4,460 less a year in Social Security benefits than native-born New Yorkers.[xxxiv]

These two trends—a growing, changing senior population along with declining retirement savings—point to an impending retirement crisis. The City's Department for the Aging notes that, "As these demographic shifts occur, the needs of the elderly will expand and change."[xxxv] The underlying message is that the City will have to spend more on services for the elderly in the coming decades.

The Schwartz Center for Economic Policy Research at the New School concludes:

> *"If nothing is done, almost half of middle-class workers in New York City will be poor or near poor in retirement. This means more older residents will experience a chronic state of deprivation, struggling to survive on a food budget of approximately $5 a day. Cities will be forced to pay for expensive elderly social services, such as indigent health care, food support and affordable housing."*

The Schwartz Center analysis finds that to eliminate extreme poverty among New York City's senior population today, it would require $858 million in additional spending on social assistance programs.[xxxvi]

The Schwartz Center has also forecasted the projected retirement income for New Yorkers in different age cohorts. Researchers at the Schwartz Center utilized data from the Census Bureau's Survey of Income and Program Participation, which asks respondents about their financial assets, and combined this data with projections of Social Security and other retirement income.

Because of data limitations, these projections are based on the populations of every metropolitan area in New York State, and therefore they likely understate future poverty rates in New York City. Additionally, these forecasts only include those currently working. With the persistent prevalence of long-term unemployment, many more of New York's future seniors may be grappling with poverty once they retire.

The Schwartz Center estimates that 20 percent of workers aged 45-54 in 2009 will have a projected retirement income less than the CEO poverty threshold, or $14,371 for a single adult. For workers aged 25-44, the rate is projected to be 28 percent. And since these projections include workers outside of New York City, and the current city senior poverty rate is already at 21 percent, the actual poverty rate among future retirees in the city will be significantly higher than these estimates.

According to the Schwartz Center, 200 percent of the poverty level is the income level that affords true retirement security, as "workers that fall below 200 percent of the poverty threshold are considered at risk of not being able to make ends meet when they retire at age 65."[xxxvii] Using this metric along with data from the city's planning department, it is estimated that there will be more than 644,500 retirement-age New Yorkers living below $540 a week, rising to 709,000 by 2040.[xxxviii] These figures are a conservative estimate—the actual number will likely be significantly higher.

PROVIDING A PATH TOWARDS RETIREMENT SECURITY

It is clear that the private retirement system is failing working New Yorkers and, as such, there is a strong rationale for government intervention.

In this instance, the Social Security system provides a powerful example. It is the income received from the Social Security system that will prevent hundreds of thousands of seniors from falling into abject poverty in the coming years. Without it, these seniors would have no other source of retirement income. And although the amount of income one can expect is relatively small, it is certainly better than no income at all.

By establishing a universal retirement system for all workers that otherwise would not have access to a retirement plan, New York City may yet avert the worst of the retirement crisis. But action must come quickly. While it may be too late to help those nearing retirement today, by creating a public retirement option by 2020 or 2025 the City could be in a position to help workers 50 years-old or younger.

Lawmakers in New York City are setting this process into motion. In February of 2015, the New York City Comptroller appointed a retirement security study group to analyze the feasibility of establishing a retirement security program and fund for private sector workers in New York City. This study group is comprised of several of the leading academics nationwide who specialize in the issue of retirement security. The study group plans to issue a report that will include three options for establishing a retirement security program and fund for private sector workers in New York.

A bill in the City Council, Intro. No. 692/2015, of which Public Advocate Letitia James is the lead sponsor, would establish a retirement security review board tasked with reviewing the recommendations of the comptroller's retirement security study group. The board would identify the recommendation or recommendations that best serve the interests of New Yorkers and then present its finding to the public and recommend a process by which a public retirement fund and program may be established. The review board would be comprised of representatives from government, business, labor and the non-profit sectors, and would be appointed by the mayor, City Council speaker, comptroller, public advocate and borough presidents.

In addition, the board would organize at least one public forum in each borough, coordinated by the public advocate and in conjunction with the relevant borough president and City Council member, to solicit input from members of the public.

A city-based retirement savings program has several advantages. It would place no financial burden on the City, nor will it impose significant costs to employers. Accounts will be pooled and centrally-managed, which will help keep fees low through economies of scale. If workers are automatically enrolled, it would ensure high participation rates.

Several states are moving forward with establishing state-based retirement plans.

- **Illinois Secure Choice Savings Program**[xxxix]
    - Signed into law on January 4, 2014, the program establishes a payroll-deduction Individual Retirement Account for workers at businesses with more than 25 employees.
    - Workers are automatically enrolled and contributions are set at a default rate of three percent of income. Workers may opt out of the program and can set a different contribution level.
    - Assets are pooled into a single fund and managed by the Illinois Treasurer.
- **California Secure Choice Retirement Savings Trust Act**[xl]
    - Signed into law September 2012, the program authorizes the establishment of a state-based retirement program, but requires that a nine-member board first conduct a market analysis to evaluate legal and practical conditions. After completing the study, the board is to provide recommendations to the state legislature, which would then need to pass additional legislation to implement the retirement program.
    - If enacted, the retirement system would affect businesses with five or more employees and would feature auto-enrollment (with the option to opt-out). Workers would contribute about three percent of their income through payroll deductions.
    - The savings plan would have a guaranteed return, though it does not include a specific rate of return.
    - The retirement system would be administered and its investments managed by the California Public Employees' Retirement System.
- **Massachusetts**[xli]
    - Enacted in March of 2012, the Act Providing Retirement Options for Nonprofit Organizations allows the state treasurer to sponsor a retirement savings plan for workers at small nonprofits.
    - Participants may invest in a 401(k) plan that leverages the assets of the state's $7.1 billion Massachusetts Deferred Compensation Plan.
    - Plan is currently being reviewed by the Internal Revenue Service for approval.

About a dozen other state legislatures have introduced legislation to either establish or study the prospects of establishing a state-based retirement savings plan.

CONCLUSION

The retirement crisis is poised to strike at every community in the U.S., but it will likely strike New York City especially hard. Overall, New Yorkers tend to have less access to retirement plans through their employer. A larger share of the city's population is made up of immigrants and people of color, and research has clearly shown that these groups have less in retirement savings than the population as a whole. Nationally, two-thirds of Black and Latino households have no retirement savings at all. New York City also has a higher proportion of women than the nation as a whole, and women are likely to bear the brunt of the retirement crisis. The number of women over the age of 65 is expected to grow from 614,000 today[xlii] to 805,000 in 2030.[xliii]

These factors are particularly troubling given the city's high cost of living, especially in terms of housing costs. Today, 47 percent of those over the age of seventy are rent-burdened, even after factoring for the housing subsidies they receive. Without subsidies, two-thirds would be rent-burdened.[xliv] New York's seniors will increasingly have to make hard choices between food, rent, transportation, and health care.

Several states have moved forward with establishing publicly available retirement funds in order to boost savings among their residents. Given the city's large population, a similar fund could be viable here as well. The details of how such a retirement security fund would work in New York remains to be determined, but the urgency behind boosting retirement savings among New Yorkers is clear.

ACKNOWLEDGEMENTS

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15TH FLOOR
NEW YORK, NY 10007

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(212) 669 - 7200

THE PUBLIC ADVOCATE
FOR THE CITY OF NEW YORK

Letitia James

FACEBOOK.COM/PALETITIAJAMES

@TISHJAMES

The Establishment of a New York City Retirement Security Board

Testimony Presented to the New York City Council Committee on Civil Service and Labor

By James A. Parrott, Ph.D., Deputy Director and Chief Economist
June 23, 2015

Good morning Chairperson Miller and members of the Civil Service and Labor Committee. Thank you for the opportunity to testify today on the issue of retirement security for New York City's private sector workers.

I support Intro. No. 692-A that would establish a retirement security review board to make recommendations for the City of New York to establish a retirement security fund and program for private-sector workers.

The case can be summed up as follows: New York City's population is aging, many private sector workers do not have employer-provided retirement coverage, and our tax system rewards those who have employer-provided retirement coverage but does nothing to help those who don't have such coverage. Since most of those without employer-provided retirement security tend to be from low- and moderate-income households and disproportionately persons of color, our existing and troubling income disparities are further intensified by retirement security disparities.

The city's population and workforce are aging. Between 2010 and 2040, the City Planning Department projects a 10 percent overall increase in the city's population. However, that breaks down into a 40 percent increase in our 65-and-older population, but only a five percent increase in our under-65 population.

States including California, Illinois and Oregon are acting to address the limitations of private employer-provided retirement coverage through government-administered retirement savings plans. New York City should carefully analyze and assess how such a plan might operate here.

Social security is the bedrock of our nation's safety net. It is universal and has a long and impressive track record. One-quarter of New York City households received social security benefits that average $15,422 per recipient household in 2012. Social security is particularly important for low-income households. It is critical to do whatever we can to protect and strengthen social security, but we must also look at the two other legs of the 3-legged retirement stool: employer-provided pensions, and retirement savings.

The share of New York City's workforce with employer-provided retirement coverage has fallen from about half for the 1999-2001 period to 43 percent for the years 2011-2013. That 43 percent share is significantly below the national average of 53 percent.[1]

While about half of whites and blacks have employer-provided retirement coverage, the shares of Latinos and Asians with such coverage is far less, 35 and 36 percent, respectively.[2]

The trend over time has been away from defined benefit retirement plans to defined contribution retirement plans. The typical defined contribution plan shifts the risks to the individual employee and is far less efficient in terms of the cost of providing benefits to retired workers.[3]

Not surprisingly, employer-provided retirement coverage is directly correlated with the size of one's employer. Over two-thirds (68 percent) of New York City workers in firms with 1000+ employees have retirement coverage, while only 20 percent of those in firms with fewer than 100 employees have retirement coverage.[4]

Our staff recently charted the three main types of retirement income for elderly New York City households for 2010-12: social security, pension benefits, and income from retirement savings. We examined the trends by race and ethnicity, and by quintile ranking in the income distribution. (See Charts 1 and 2, attached)

- On average, social security is by far the most important source of income in retirement for elderly households headed by a person of color;
- While white households on average receive a higher dollar amount of social security benefits, the disparities by race and ethnicity are much less than for either retirement income (i.e., pension payments) or investment income (i.e., the earnings from accumulated savings).
- Primarily because the retirement savings of elderly white households are so much greater, they receive nearly three times the investment and retirement income as do black households, more than three times that received by Asian and other households, and more than five times the investment and retirement income received by Latino households.
- The lowest income 60 percent of elderly New York City households receive an average of only $5,444 a year in pension benefits and earnings from savings while those in the top quintile (incomes over $109,000) receive an average of $64,000 a year in pension benefits and investment earnings.

It is clear that far too many New Yorkers are heading into retirement with too-few resources to

[1] Joelle Sadd-Lessler and Teresa Ghilarducci, "Retirement Readiness in New York City: Trends in Plan Sponsorship, Participation and Income Security, The New School Schwartz Center for Economic Policy Analysis, 2015.
[2] Sadd-Lessler and Ghilarducci.
[3] Because account fees typically are high for defined contribution plans, their investments are less diversified and not as well-managed, and individual accounts can't provide any pooling for longevity risk, the averaged defined benefit plan costs 46 percent less than a typical 401(k) plan to provide the same dollar amount of retiree benefit. Beth Almeida and William B. Fornia, ***A Better Bank for the Buck. The Economic Efficiencies of Defined Benefit Pension Plans***, National Institute on Retirement Security, August 2008.
[4] Sadd-Lessler and Ghilarducci.

sustain themselves. Invariably, this will lead to great challenges for New York City and State government in terms of the cost of social services, Medicaid, housing and food assistance.

The New York and federal tax systems are geared to reward those who have employer-provided retirement coverage and savings. For example, employer-provided retirement savings plans such as 401(k)s or 403(b)s allow for pre-tax contributions, and New York State and City do not tax government pension benefits and allow an exclusion for the first $20,000 in annual private pension benefits. I think these tax benefits are appropriate, but what that means is that those without employer-provided coverage or retirement savings opportunities fall further behind.

While those without an employer-provided retirement plan can, subject to a fairly high income limit, may pre-tax contributions to an IRA, the fact is that relatively few lower-income workers are able to take advantage of this opportunity. All the more reason that the City should explore establishing a retirement savings mechanism to aid those who do not otherwise have employer-provided coverage.

Intro. No. 692-A would establish a retirement security review board to make recommendations for the City of New York to establish a retirement security fund and program for private-sector workers. I think it is entirely appropriate that the review board be charged with identifying options that maximize participation, ensure ease of enrollment, and limit risk and fees.

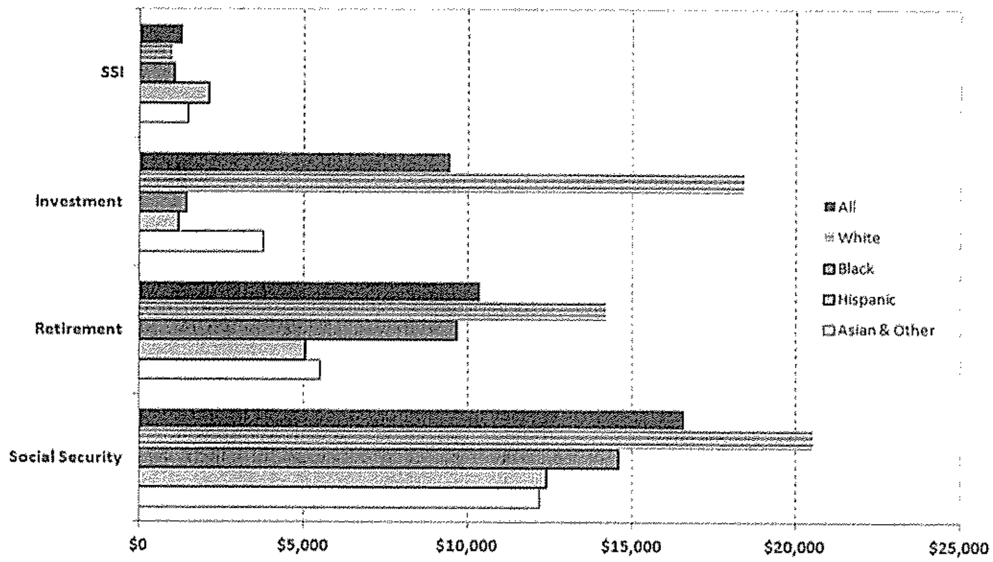
This is a critical step for the City to address the retirement security for the nearly 60 percent of private sector workers who currently lack any employer-provided retirement coverage. Such a step is part and parcel of addressing the dramatic disparities in income and wealth that currently exist, and it is directly bears on the future fiscal liabilities the City faces given the aging of our population.

Thank you for the opportunity to testify today.

# # #

Chart 1

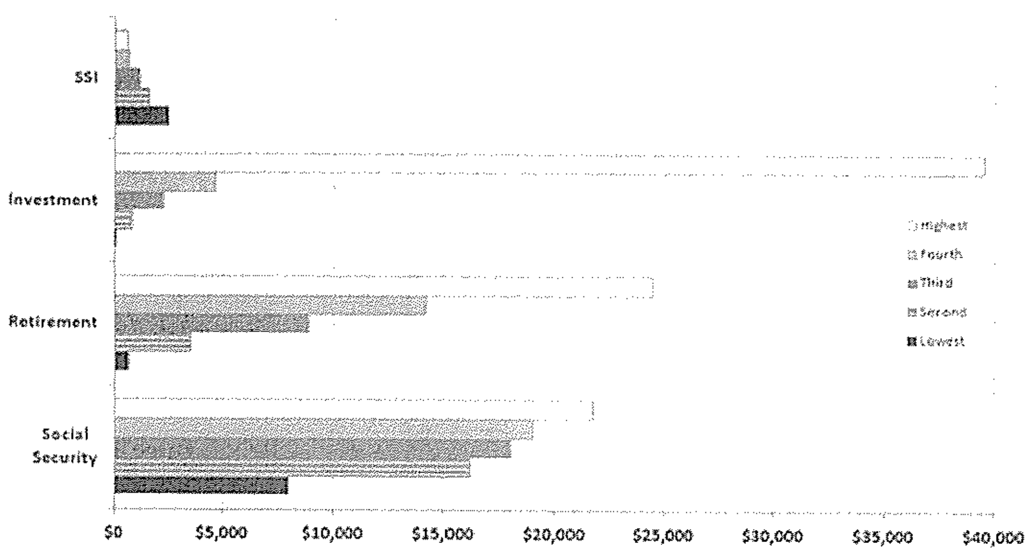
While white elderly households receive more of each of the three main types of retirement income, the disparity is less for Social Security; NYC, 2010-2012.



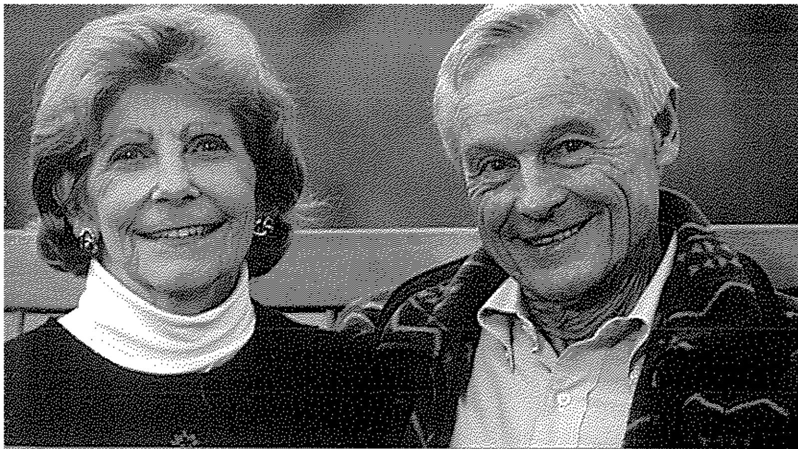
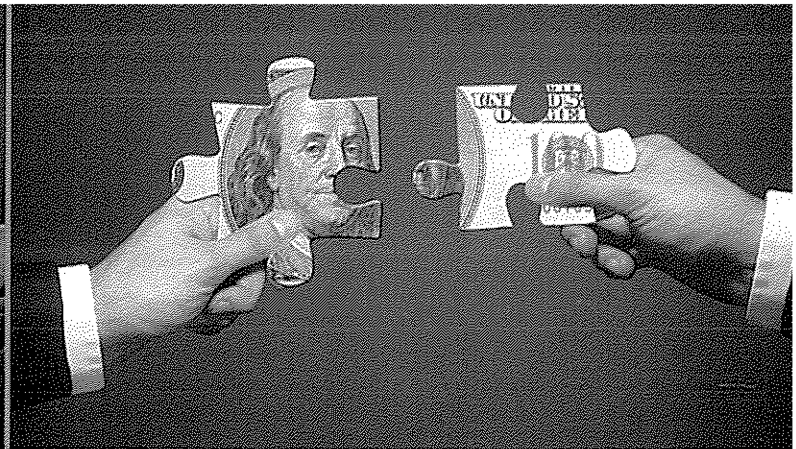
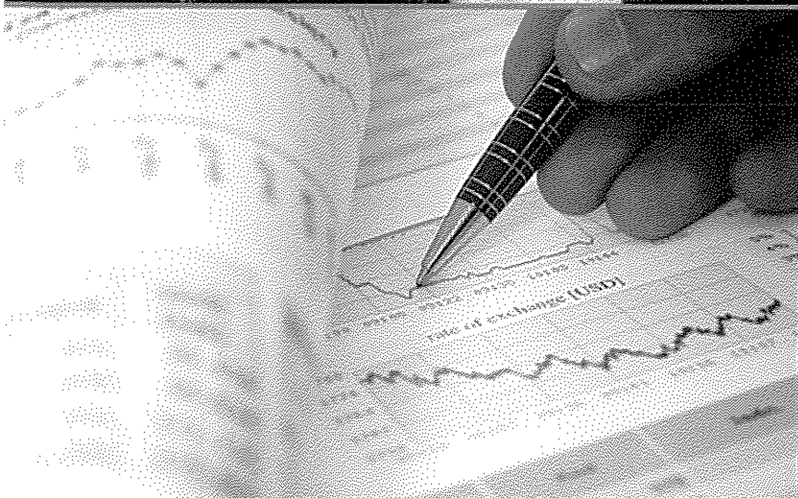
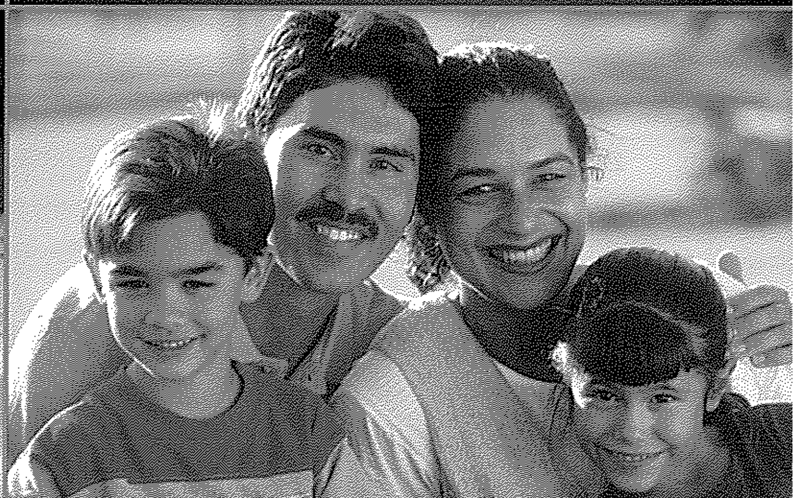
Note: Elderly households with "head of household" 65 or older, race-ethnicity defined by "head of household."
Source: FPI analysis of 2010-2012 ACS microdata provided by IPUMS.

Chart 2

Social Security is the main income source for elderly NYC households; those in the bottom three quintiles receive little from pensions or savings.



Note : NYC households headed by person 65+; quintile cuts for families at $21,147; $38,072; $63,234; $109,900.
Source: FPI analysis of 2010-2012 ACS microdata provided by IPUMS.

The Secure Choice Pension:

A Way Forward for Retirement Security in the Private Sector

National Conference on Public Employee Retirement Systems
The Voice for Public Pensions

September 2011

About the Author

Hank H. Kim, Esq., is the executive director and counsel for the National Conference on Public Employee Retirement Systems (NCPERS). Mr. Kim directs the day-to-day operation of the largest public pension trade association in the United States. His responsibilities include strategic planning for NCPERS, promoting retirement security for all workers through access to defined benefit pension plans, and the expansion of NCPERS' role in the continuing debate on health care.

Representing more than 500 funds throughout the United States and Canada, NCPERS is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage nearly $3 trillion in pension assets. Founded in 1941, NCPERS works to promote and protect pensions by focusing on advocacy, research and education.

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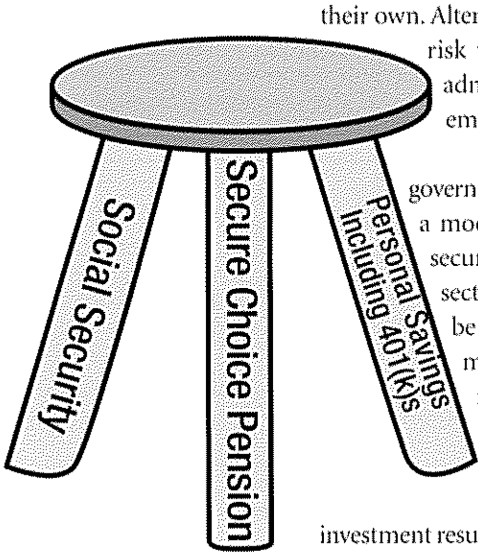
Executive Summary

RETIREMENT READINESS IS WOEFULLY LACKING FOR MANY PRIVATE-SECTOR WORKERS. Private companies' dramatic shift away from defined benefit pension plans has fundamentally changed the way workers save for retirement and has left workers with an unsure and likely insufficient nest egg. The traditional model of the three-legged stool of Social Security, personal savings that include 401(k)s, and a pension has dramatically declined for private-sector workers. All private-sector workers have Social Security and many have access to 401(k)s, but unfortunately the majority do not have access to a pension.

The effects of this shift have been accumulating for some time and are increasingly near the tipping point. Many workers are simply not prepared for retirement by any measure. Those who do have significant savings are faced with the uncertainties of outliving their savings and the vagaries of the markets.

Several clear needs must be addressed. Most workers need the certainty and predictability of a lifetime annuity, but they also need choice and flexibility. They need to be able to take their pension with them when they change employers. And they need to have the benefits of professional plan management to achieve these goals.

These important protections involve cost and risk, however. Many private employers are unable or unwilling to assume all the risk on their own. Alternatives are needed for sharing risk with workers and leveraging administrative savings that larger employers can provide.



Public plans and their government sponsors can help provide a model to address the retirement security crisis that faces the private sector. Any new alternative should be influenced by the factors that make public plans a success, including the experience with defined guaranteed benefits and the economies of scale to deliver the necessary investment results in a cost-effective manner. A new choice that draws on these lessons is needed to provide retirement security in the private sector. The Secure Choice Pension would provide this new choice. It is designed to provide the following:

- The Secure Choice Pension is designed as a public–private enterprise for those who currently do not have a pension (particularly for small and mid-sized businesses).
- The Secure Choice Pension is not a replacement for existing pension plans in the public or private sectors, nor is it intended to replace 401(k)s.
- The Secure Choice Pension will be modeled after a "cash balance" type defined benefit plan, as described in more detail below.
- The Secure Choice Pension in conjunction with Social Security and personal savings, including 401(k)s, will help close the existing $4-8 trillion retirement savings gap as estimated by several research groups.
- The Secure Choice Pension will decrease the burden on state and local governments by reducing the need for retirees to rely on public assistance.
- The Secure Choice Pension will manage downside funding risk through conservative assumptions as developed in a model plan design and/or determined by each state.
- The Secure Choice Pension will provide workers with a guaranteed pension but will permit some opportunity for increased benefits in good economic times.

In summary, the goal of the Secure Choice Pension is to provide private-sector workers who currently do not have access to a pension – particularly those who work for small to mid-sized companies – with a guaranteed, affordable, sustainable pension through a public–private structure that shares the risk between employers and employees and manages funding risk.

Why We Need the Secure Choice Pension

AMERICAN PRIVATE-SECTOR WORKERS NEED A NEW CHOICE that provides a secure yet flexible retirement program.

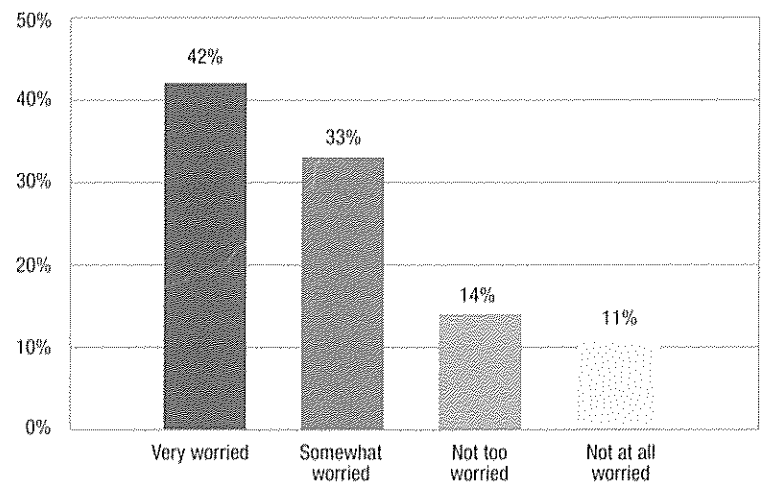
Most individuals need to save more for retirement. Millions of people are not currently saving enough to allow for a secure retirement. These people may be forced to work longer before retirement, experience a less-than-reasonable quality of life during retirement, or become dependent on public safety-net programs.

The Employee Benefit Research Institute (EBRI) recently calculated an average American retirement savings deficit of approximately $48,000 per person, with an aggregate national retirement savings shortfall of almost $4.6 trillion.[1] This calculation does not include the costs of nursing home or home healthcare. Adding such costs would increase the shortfall by an average of $25,317 per individual for married households, $32,433 for single males, and $46,425 for single females.[2] The analysis also found that if Social Security retirement benefits were eliminated, the aggregate national retirement income deficit would almost double to $8.5 trillion, or an individual average of approximately $89,000. These amounts represent the additional individual average amounts needed at age 65 to eliminate expected deficits in retirement.

In calculating the gap between what American households in their peak earning years (ages 32–64) currently have in retirement savings and what they will need to maintain their standard of living in retirement, the Center for Retirement Research at Boston College estimated a savings deficit of between $5.2 trillion and $7.9 trillion, depending on inflation-adjusted investment returns.[3] The calculation took into account all major sources of retirement income and assets, including Social Security, traditional pension plans, 401(k) plans, and other forms of personal savings.

Worried About Retirement

Fully 42% of voters are very worried they will not have enough money for a secure retirement, and 75% are worried overall.



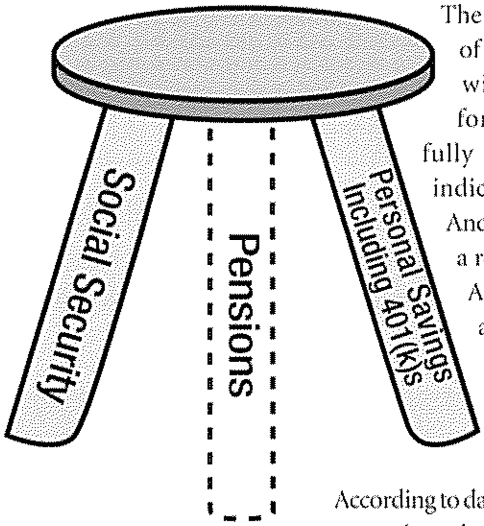
An April 2011 study designed by Lake Research Partners and sponsored by the National Conference on Public Employee Retirement Systems (NCPERS)[4] found that Americans consider retirement security a matter of major concern but more and more difficult to achieve.

[1]Jack VanDerhei, "Retirement Savings Shortfalls for Today's Workers," *Notes*, 31, no. 10 (Oct. 2010): 2, http://www.ebri.org/pdf/notespdf/EBRI_Notes_10-Oct10.RetShrtfl-Cobra.pdf (EBRI's estimates are present values, stated in 2010 dollars).

[2]*Ibid.*, p. 4.

[3]Retirement USA, "The Retirement Income Deficit," http://www.retirement-usa.org/retirement-income-deficit-0 (using numbers calculated for Retirement USA by the Center for Retirement Research at Boston College).

[4]Lake Research Partners, National Conference on Public Employee Retirement Systems: National Research, Findings from Focus Groups among Voters and a Survey of 809 Likely 2012 General Election Voters, survey conducted April 18–21, 2011.



The study found that 75 percent of respondents worried that they will not have enough money for a secure retirement, with fully 42 percent of respondents indicating they are *very* worried. And they are right to be worried. As a recent report from the General Accountability Office (GAO) acknowledges, ensuring income in retirement may involve difficult choices, including lowered consumption and lifestyle expectations.[5]

According to data from the U.S. Census Bureau, approximately 10 percent of Americans age 65 and older live in poverty.[6] According to calculations for 2009, for a person aged 65 years or older living alone, the poverty threshold was a yearly income of approximately $10,000.[7] Today, as more people enter retirement with inadequate retirement savings, they may increasingly face living in poverty.

A 2007 study by the GAO projected that a full 37 percent of workers born in 1990 may reach retirement age with *no* retirement savings from defined contribution plans. Low-income workers fared the worst, with a full 63 percent of Americans in the lowest income quartile projected to have no retirement plan savings. Even those people in the highest income quartile had a projected replacement ratio of less than 34 percent of preretirement income from their defined contribution plan.[8]

An American making $60,000 a year who is 35 years from retirement needs to set aside approximately 12 percent of his or her income each year to replace 80 percent of that income in retirement. This burden becomes even greater if a worker delays beginning to save. For example, a person with the same salary who is 20 years out and just beginning to save for retirement would have to set aside over 20 percent of his or her income to match that 80 percent income replacement level.[9]

Yet as of 2007, half of all households approaching retirement (ages 55–64) had less than $98,000 in retirement savings, if they had anything at all. That would be enough to replace a mere 10 percent of these households' median income.[10] Given the recent economic recession, the outlook has only gotten worse. A report by

Projected Average Annuity Equivalents and Replacement Rates from DC Plan Balances at Retirement, by Income, under Baseline Assumptions

		By income quartile			
Individual-level results	Overall	1	2	3	4
Annuity equivalent (per year, 2007 dollars)	18,784	1,850	6,554	16,635	50,098
Replacement rate (percent)	22.2	10.3	18.2	26.3	33.8
Percent of workers with no DC savings	36.8	63.0	39.8	27.9	16.4

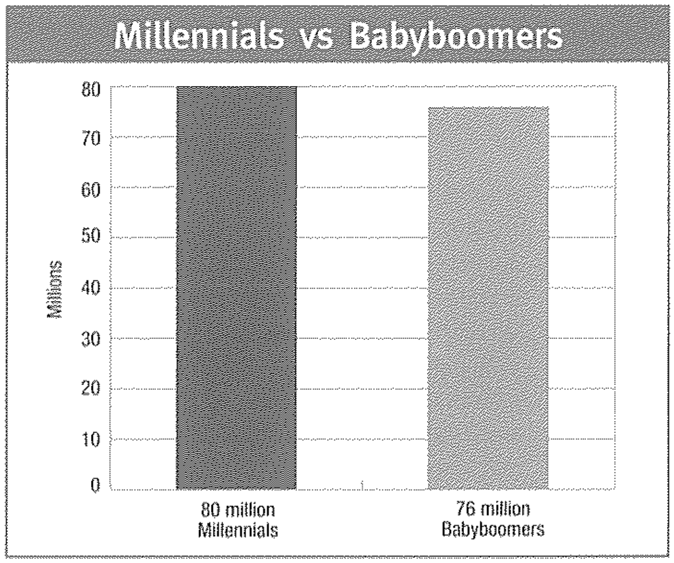
Source: GAO projections using PENSIM model.

[5] U.S. Government Accountability Office, *Retirement Income: Ensuring Income throughout Retirement Requires Difficult Choices*, GAO-11-400 (June 2011): 50, http://www.gao.gov/new.items/d11400.pdf.
[6] U.S. Census Bureau, *Poverty Status in the Past 12 Months, 2005–2009 American Community Survey 5-Year Estimates*, http://factfinder.census.gov/servlet/STTable?_bm=y&-geo_id=01000US&-qr_name=ACS_2009_5YR_G00_S1701&-ds_name=ACS_2009_5YR_G00_.
[7] U.S. Census Bureau, *American Community Survey: 2009 Subject Definitions*, Appendix A: 135, http://www.census.gov/acs/www/Downloads/data_documentation/SubjectDefinitions/2009_ACSSubjectDefinitions.pdf.
[8] U.S. Government Accountability Office, *Private Pensions: Low Defined Contribution Plan Savings May Pose Challenges to Retirement Security, Especially for Many Low-Income Workers*, GAO 08-8 (Nov. 2007): 22, http://www.gao.gov/new.items/d088.pdf.
[9] Calculated using the CNN Savings Calculator, available at http://cgi.money.cnn.com/tools/saveyoung/index.html. The Savings Calculator assumes a retirement age of 65, annual inflation of 2.5%, and factors in the impact of Social Security.
[10] Monique Morrissey, *Toward a Universal, Secure, and Adequate Retirement System*, Retirement USA Conference Report, Economic Policy Institute (Oct. 21, 2009): 18, http://www.epi.org/page/-/pdf/20091021_retirement_usa.pdf?nocdn=1.

EBRI concluded that between 4 percent and 14 percent of U.S. households that would have had adequate retirement income prior to the recession now may not.[11] Other analysts estimate that in 2009 a total of 51 percent of households were at risk of not having enough retirement savings, and younger generations are subject to an increased risk.[12] About $4 trillion of equity assets in retirement plans were wiped out between October 2007 and October 2008.[13]

With their retirement savings greatly diminished, many people who would otherwise retire will have to continue to work, perhaps well into their 70s.[14] In a 2011 retirement confidence survey, 20 percent of workers said that the age at which they expect to retire has increased in the past year. The most frequently cited reason for postponing retirement, at 36 percent, was the poor economy. Only 23 percent of respondents indicated that they expect to retire before age 65.[15]

When people are forced to delay retirement past their desired retirement age, the ability of younger workers to enjoy upward mobility in the workplace is limited. Young adults in the millennial generation (those who "came of age" in the new millennium) are entering the workforce as the baby boomers are of an age to retire. The millennial generation includes a large number of individuals: depending on how they are counted, estimates range from 50 million[16] to more than 80 million.[17] The millennial generation thus may include even more people than the baby boomer generation, which is numbered in the mid-70 millions.[18] The economy has already had a stunting effect on millennials' personal and professional development. The generation has been termed the "boomerang" generation



because of their inability to find jobs, many have had to move back into their parents' homes.[19] As of 2010, fully 37 percent of 18- to 29-year-olds were unemployed or out of the workforce.[20]

Further, in many cases, remaining in the workforce imposes potentially detrimental physical burdens on older workers. In 2009, more than 7 million workers age 58–69 (approximately 45 percent) held physically demanding or difficult

[11]EBRI, *Between 4–14% More U.S. Households "At Risk" of Running Short of Money in Retirement Due to 2008–2009 Recession*, (Jan. 20, 2011), http://www.ebri.org/pdf/PR910.20Jan11.RetIncAd.pdf.
[12]Alicia H. Munnell, Anthony Webb, and Francesca Golub-Sass, Center for Retirement Research at Boston College, *The National Retirement Risk Index: After the Crash*, 4 (Oct. 2009): Fig. 4, http://crr.bc.edu/images/stories/Briefs/IB_9-22.pdf.
[13]Alicia Munnell, Jean-Pierre Aubry, and Dan Muldoon, Center for Retirement Research at Boston College, *The Financial Crisis and State/Local Defined Benefit Plans*, 1 (Nov. 2008): 1, http://crr.bc.edu/images/stories/Briefs/ib_8-19.pdf (the decline was divided equally between defined benefit and defined contribution plans).
[14]EBRI, *Work Later in Retirement? For Many, It Won't Be Enough*, Fast Facts #205 (July 19, 2011), http://www.ebri.org/pdf/FFE.205.19July11.LateRet.pdf . EBRI, *Older Workers: Who's Working?* Fast Facts #208 (Aug. 2, 2011), http://www.ebri.org/pdf/FFE.208.2Aug11.LbrPart-1.pdf.
[15]EBRI, 2011 Retirement Confidence Survey–2011 Results, 2011 RCS FACT SHEET #5: Changing Expectations About Retirement (Mar. 2011): 1, http://www.ebri.org/pdf/surveys/rcs/2011/FS5_RCS11_Expects_FINAL1.pdf.
[16]Pew Research Center, *Millennials: Confident. Connected. Open to Change*, (Feb. 24, 2010), http://pewsocialtrends.org/2010/02/24/millennials-confident-connected-open-to-change/.
[17]Amy Larrabee and Erica Robinson, *Ready or Not, Here They Come: Motivating and Retaining the Millennial Generation*, http://www.belloaks.com/documents/Motivate,%20Retain%20Millennials_BellOaks.pdf. Peter Leyden, Ruy Teixeira, and Eric Greenberg, *The Progressive Politics of the Millennial Generation* (June 20, 2007), http://newpolitics.net/node/360?full_report=1.
[18]*Ibid.*
[19]Michelle Hirsch, "The Boomerang Generation: More Reasons to Move Back Home," *The Fiscal Times* (June 12, 2010), http://www.thefiscaltimes.com/Articles/2010/06/12/The-Boomerang-Generation-More-Reasons-to-Move-Back-Home.aspx#page1.
[20]Pew Research Center, *supra* note 16.

jobs.[21] And when people who are not financially prepared for retirement are forced to leave the workforce, there is a further strain on workers and the national economy that is difficult to quantify but undoubtedly very significant.

The expenditures made by retirees not only support jobs and economic output in local economies throughout the United States but also provide much-needed patient capital to domestic equities markets.[22]

Expenditures made from benefit payments from plans that provide a guaranteed payment in the form of a periodic payment or annuity benefit are particularly important because retirees receive a regular, guaranteed benefit regardless of stock market fluctuations or economic downturns. Thus, such payments serve as predictable and important stimuli to the economy. In a 2009 study, using data from the U.S. Census Bureau for the fiscal year 2005–2006, the National Institute on Retirement Security (NIRS) found that expenditures from state and local pension benefits had a total economic impact of more than $358 billion, supporting more than 2.5 million American jobs that paid more than $92 billion in total compensation to American workers. NIRS found that, nationally, the largest economic impacts were seen in the manufacturing, healthcare and social assistance, finance and insurance, retail trade, and accommodation and food services sectors.[23]

Increased retirement savings is good not only for specific American workers but also for the broader economy. The assets currently in retirement savings are an important source of investment capital. Defined benefit plans and those plans with longer investment time horizons are particularly important sources of capital because they infuse patient, or long-term, capital into businesses and the financial markets. At the end of 2010, total U.S. retirement assets were $17.5 trillion.[24] By March 31, 2011, that number was $18.1 trillion. Of that amount, approximately $6 trillion was in either public or private defined benefit plans.[25] Retirement savings counted for 37 percent of all household financial assets in the United States at the end of the first quarter of 2011.[26] At the end of 2009, approximately 60 percent of 401(k) participants' assets were invested in equity securities (i.e., investments that provide capital to businesses) through equity funds, the equity portion of balanced funds, and company stock.[27] And as of the first quarter of 2011, public pension plans held approximately $1.862 trillion in corporate equities and $272 billion in mutual fund shares.[28] Retirement plan investments fuel America's economic engine.

Furthermore, the impact of retirement assets on capital formation cannot be underestimated. Investments generating the creation of capital have supported thousands of companies that would otherwise not exist, including FedEx, Staples, Outback Steakhouse, and Starbucks. As a witness before the Joint Economic Committee of Congress testified in 2008, defined benefit pension plans, including state and local pension plans, have historically been a "sizable and reliable pool of capital" for investment into the nation's emerging growth companies. Industry in the United States that is reliant on capital creation would be "much weaker without the strong investment participation from defined benefit plans."[29]

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[21] Older Women's Economic Security Taskforce, National Council of Women's Organizations, *Raising the Social Security Retirement Age Is Dangerous* (2010), http://www.socialsecuritymatters.org/Home_files/OWESRetirementAgeBriefFINAL.pdf.
[22] NIRS, *Why Do Pensions Matter?* (Jan. 2010): 1, http://www.iaff.org/pensions/documents/why_do_pensions_matter.pdf.
[23] Ilana Boivie and Beth Almeida, NIRS, *Pensionomics: Measuring the Economic Impact of State and Local Pension Plans* (Feb. 2009): 1, http://www.nirsonline.org/storage/nirs/documents/Pensionomics.pdf.
[24] ICI, *2011 Investment Company Fact Book* (2011): 98, http://www.ici.org/pdf/2011_factbook.pdf.
[25] *Ibid.*, p. 101.
[26] ICI, "Retirement Assets Total $18.1 Trillion in First Quarter 2011" (June 30, 2011), http://www.ici.org/research/retirement/retirement/ret_11_q1.
[27] Jack VanDerhei, Sarah Holden, and Luis Alonso, *401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2009*, EBRI Issue Brief no. 350 (Nov. 2010): 1, http://www.ebri.org/pdf/briefspdf/EBRI_IB_011-2010_No350_401k_Update-092.pdf.
[28] Federal Reserve, *Flow of Funds Accounts of the United States: Flows and Outstandings First Quarter 2011* (June 9, 2011): 92, http://www.federalreserve.gov/releases/z1/Current/z1.pdf.
[29] Sherrill Neff, "Testimony of Sherrill Neff, Quaker BioVentures for the Joint Economic Committee of Congress," *Your Money, Your Future: Public Pension Plans and the Need to Strengthen Retirement Security and Economic Growth* (July 10, 2008), http://jec.senate.gov/public/?a=Files.Serve&File_id=37a4b193-6355-4c78-a30d-109f47fe841d.

The Guiding Principles of the Secure Choice Pension

TO MEET THE NEEDS DESCRIBED ABOVE, any new type of retirement program for the private sector needs to take into account the following key principles:

- enhanced lifetime retirement security for all participants;
- flexibility and portability given the increasingly mobile workforce;
- managed and shared risk with protections for employers, employees, taxpayers, and the plan.

Lifetime Retirement Security for All

The majority of workers approaching retirement have only small retirement savings – if they have any at all.[30] An alarming number of people have no access to any employer-sponsored retirement plan; as of 2006, only 43.2 percent of private-sector workers had an employer-sponsored retirement plan.[31] In the past, many retirees could rely on defined benefit pension plans to help provide a secure retirement income. However, defined benefit pension plans have become increasingly rare.[32] A new retirement solution should broaden accessibility to well-run plans with high-quality investment management and administrative services, removing the administrative burden and risks of self-management[33] from the participant.

In addition, longevity risk – the risk that a person will outlive his or her retirement savings – is increasing as life expectancy increases. A person cannot plan solely based on average life expectancy, because half of all people will live beyond that average. Because people do not know their ultimate lifespan, it is difficult to be completely confident that they will not outlive their savings. Therefore, to provide complete retirement security, an ideal retirement solution needs to also provide a guaranteed benefit to continue throughout a person's retirement, however long that may be.

Flexibility, Portability, and Preservation

A retirement system solution also requires flexibility and portability. It is much more common now than it used to be for people to work for many different employers throughout their lifetime.[34] Ideally, when participants change jobs, their pension account would go with them with immediate distribution of the account prohibited until retirement.

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[30] GAO, *supra* note 5, pp. 49-50.
[31] Christian E. Weller, Testimony before the Joint Economic Committee of Congress, *Your Money, Your Future: Public Pension Plans and the Need to Strengthen Retirement Security and Economic Growth* (July 10, 2008), http://jec.senate.gov/public/?a=Files.Serve&File_id=03739571-fb35-4dba-8c28-994192726169.
[32] GAO, *supra* note 5, p. 7. EBRI, "Employee Benefits in the United States: An Introduction," *EBRI Databook on Employee Benefits*, chapter 1 (updated Mar. 2011), http://www.ebri.org/pdf/publications/books/databook/DB.Chapter%2001.pdf.
[33] Jason S. Seligman and Jeffrey B. Wenger, *Asynchronous Risk: Unemployment, Equity Markets, and Retirement Savings*, Upjohn Institute Working Paper no. 05-114 (2005), http://research.upjohn.org/up_workingpapers/114/ (discusses how, without proper management, defined contribution program participants are exposed to increased longevity risk, portfolio risk, market timing risk, and inflation risk).
[34] Carol Kinsey Goman, "Forces of Change: Condensed from This Isn't the Company I Joined: How to Lead in a Business Turned Upside Down," *Information Outlook* (May 2004), http://findarticles.com/p/articles/mi_m0FWE/is_5_8/ai_n6077810/. Statement of the ICI, "The Retirement Challenge–Making Savings Last a Lifetime," *Hearing of the U.S. Senate Special Committee on Aging* (June 16, 2010): § VI, http://www.ici.org/govaffairs/testimony/10_sen_aging_tmny.

Shared Risk

A pension solution needs to strike a balance to manage and share risk among employers and participants. As discussed above, most private employers currently sponsor only a defined contribution plan such as a typical 401(k) or may not sponsor any retirement plan at all.[35] In either situation, the worker bears all of the risk in savings for his or her retirement. And even for workers who diligently save, an unexpected economic downturn, such as we experienced in 2008, can significantly diminish retirement savings.

Yet, traditional pensions alone do not seem to be the answer either. Private-sector companies, including small employers, do not want to bear all of the risk that a traditional pension entails. Furthermore, traditional pensions do not always have the flexibility and portability that an increasingly mobile workforce needs.[36]

[35]Weller , *supra* note 31.
[36]EBRI, *supra* note 32.

The Power of Public Pension Plans is a Key Part of the Solution

PRIVATE-SECTOR EMPLOYERS NEED A THIRD OPTION. Public pension plans stand out as a potential model. Such plans have a successful track record of performance in delivering adequate benefits in a sustainable and efficient manner.[37]

Because of their group nature, public pension plans create significant economies of scale and other economic efficiencies for taxpayers and employees, which allow them to offer retirement benefits in a proficient and cost-effective manner. As a witness testified before a Joint Economic Committee hearing entitled, "Your Money, Your Future: Public Pension Plans and the Need to Strengthen Retirement Security and Economic Growth," because public pension plan assets are pooled and managed by professionals, these systems can achieve higher returns at a lower cost than the typical defined contribution plan. In addition, public pension plans pool mortality and other risks, allowing these plans to provide benefits at lower costs for participants and plan sponsors.[38] On average, plan fees can range between 0.8 percent and 1.5 percent of assets; larger institutional plans can reduce such fees to between 0.6 percent and 0.2 percent of assets.[39] By pooling assets, public plans are able to reduce administrative costs and asset management and other fees. Asset management fees have been found to average approximately 25 basis points for public pension plans, while asset management fees for private 401(k) plans are 35 to 145 basis points higher, on average.[40]

A 2008 study of 130 plan sponsors by Deloitte and the Investment Company Institute (ICI) also found that plan size made a significant difference in fees and other costs. Specifically, the study found that plans with a greater number of participants and larger average account balances tend to have lower overall fees than plans with fewer participants and smaller average account balances. The study theorized that the observed effect was likely caused, in part, from fixed costs required to start and run the plan, many of which are directly connected to legal and regulatory requirements. Larger plans can take advantage of economies of scale because costs are spread over a larger base.[41] The consulting firm Watson Wyatt found that plan size made a particular difference in connection with defined benefit plans, theorizing that this effect could result from the inability of smaller defined benefit plans to afford as much expertise as bigger plans.[42] Larger defined benefit plans outperformed smaller plans by roughly 2 percent.[43]

Moreover, professionally managed defined benefit plans have consistently outperformed defined contribution plans. In its latest update comparing investment rates of return in defined benefit and defined contribution plans, Watson Wyatt found that through the end of 2008, median returns for defined benefit plans were approximately 1 percent higher than those obtained in defined contribution plans.[44]

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[37] Weller, *supra* note 31.
[38] *Ibid.*
[39] *Ibid.*
[40] *Ibid.*
[41] Deloitte and ICI, *Defined Contribution / 401(k) Fee Study: Inside the Structure of Defined Contribution / 401(k) Plan Fees: A Study Assessing the Mechanics of What Drives the "All-In" Fee* (Spring 2009, updated June 2009): 7, www.ici.org/pdf/rpt_09_dc_401k_fee_study.pdf.
[42] Watson Wyatt, "Defined Benefit vs. 401(k) Investment Returns: The 2006–2008 Update" (Dec. 2009), http://www.watsonwyatt.com/us/pubs/insider/showarticle.asp?ArticleID=22909.
[43] *Ibid.*
[44] *Ibid.*

In addition to these economic efficiencies, public pension plans also decrease government spending by reducing the need for retirees to rely on public assistance. A 2009 report by NIRS calculated that pension income saved the government approximately $7.3 billion in public assistance expenditures in 2006 and kept 1.4 million Americans off public assistance.[45]

The solution we propose below is not a replacement for existing pension plans in the public or private sector. It should be understood to be a basic plan for the private-sector workforce that currently does not have the benefit of a pension plan. Public pension plans are designed to meet different service delivery needs and the longevity of public plan sponsors. Rather, this model takes into consideration the retirement-age patterns of private-sector workers and the ability of private employers to offer reasonable, sustainable pension benefits.

The bottom line is that the benefits of these plans to states and the national government is that future retirees living in their jurisdictions will be contributors to the economy rather than dependent on welfare programs and services, which range from housing to income supplements to medical care.

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[45]Frank Porell and Beth Almeida, *The Pension Factor: Assessing the Role of Defined Benefit Plans in Reducing Elder Hardships* (July 2009): 17, http://www.ncpers.org/Files/NIRS_pension_factor.pdf.

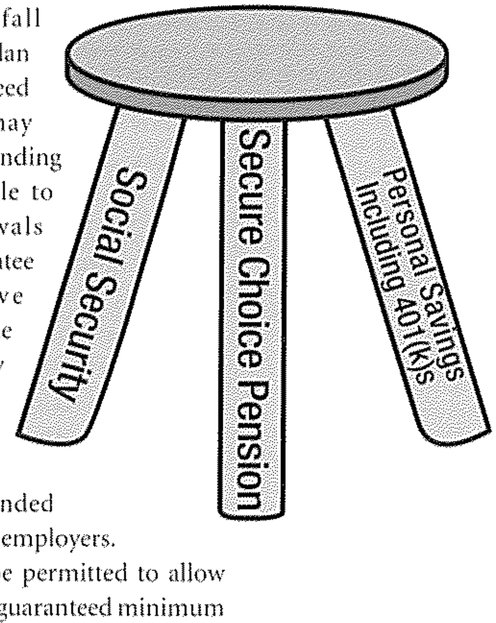
The Secure Choice Pension Plan Design

THE SECURE CHOICE PENSION (SCP) WOULD BE PART OF AN OVERALL RETIREMENT SAVINGS PLATFORM and would enhance existing employer-sponsored defined contribution arrangements to close the income replacement gap that now exists for most workers who are entering retirement. **The SCP is not designed for workers who already have access to a pension.** To establish an SCP, the Employee Retirement Income Security Act of 1974 (ERISA) and other applicable federal laws would be amended to permit any state to establish a plan by enacting appropriate enabling legislation. This legislation would be required to provide that each SCP would be administered by a board of trustees composed of public and private representatives.

Each SCP would be a multiple-employer defined benefit plan, based on the cash balance model. Each participant's benefit would be expressed as a virtual account balance, reflecting annual contributions made on his or her behalf and earnings credited under the SCP annually. Participants would be fully vested in their accrued benefits immediately, and the amounts contributed plus earnings credited to the participant's account would be guaranteed under the plan. SCPs would remain subject to the substantive benefit requirements of ERISA, including spousal protections, minimum funding requirements (with some modification to limit employer liability), and distribution rights.

As a type of cash balance plan, an SCP can be funded with a high degree of certainty because of specific design elements. Six important aspects are as follows:

1. SCPs would be multiple-employer plans in which the actuarial risks of plan funding would be spread across a broad universe of participants.
2. States would be permitted to use a number of different devices to allocate the risk of underfunding. As noted above, SCPs would be subject to the ERISA minimum funding requirements, and it is anticipated that they would be designed and administered to remain fully funded.
3. SCPs would utilize ERISA funding rules that currently apply to private-sector multi-employer plans.
4. The design would be nimble enough to adjust for changing economic conditions, anticipating both bull and bear markets and adjusting the benefit accrual accordingly. Furthermore, the allocation and interest crediting rates can be adjusted prospectively to better reflect benefit and financial needs of the employers.
5. The design would provide options to serve as a backstop for underfunding. A state may permit employers that leave an SCP to allocate any unfunded liability attributable to its employees either by funding any shortfall itself or by reducing plan benefits to a guaranteed minimum. States may choose to make up funding shortfalls attributable to employer withdrawals and finance the guarantee through a reserve accumulation under the SCP. Also, a state may provide for protection for underfunding liabilities through risk pooling programs funded by payments made by employers.



6. Finally, SCPs would be permitted to allow participants to enjoy a guaranteed minimum retirement income with an opportunity for additional earnings. An SCP would be required to provide for a life annuity benefit, which would be the "default" form of benefit. Unlike a traditional annuity, however, this benefit would not necessarily remain fixed throughout retirement. At the

time of retirement, a participant would be credited with a set number of "retirement units," each of which would represent a specified amount of monthly retirement income. The SCP assets attributable to the participant's accrued benefit at retirement would be transferred to a separate investment fund under the SCP, and it is anticipated that this fund would be managed more conservatively than the general accumulation fund, with a view to preserving capital. The SCP trustees, however, would be permitted to declare periodic "dividends" on retirement units when the SCP's actuary has certified that such dividends would not materially impair the full funding of the retirement fund. When such dividends are declared, the nominal value of each retirement unit would increase. Although it is anticipated that participants would ordinarily be guaranteed this additional unit value, in the unlikely event that the retirement fund becomes underfunded, the SCP trustees may reduce the retirement unit value prospectively to an amount not less than the unit value as of the participant's retirement.

Although the SCP would be a separate trust and have a separate administrative board, the assets of each SCP generally would be invested in tandem with the assets of one or more designated state retirement systems identified in the enabling legislation, particularly at the onset of the SCP. This partnership will allow the SCP and its participants to participate in the efficiencies and economies of scale available to large public plans right from the start. As the SCP itself becomes larger and more mature, it may eventually separate its investments.

As noted above, as cash balance plans, SCPs can be funded with a reasonable degree of certainty, so the possibility of underfunding is greatly diminished. In addition, employers participating in the SCP would not necessarily be required to make contributions greater than those specified in the SCP. The enabling legislation could permit employers to limit or avoid liability for underfunding by providing for the reduction of participant account balances.

The SCP's board of trustees will be subject to the general fiduciary standards of care but not to fiduciary-based lawsuits. However, investment managers hired to manage SCP assets and other vendors performing fiduciary functions for an SCP would be subject to all of the ERISA fiduciary responsibility requirements.

In conclusion, we want to spur discussion on how to achieve a reasonable long-term retirement benefit for all workers. The SCP looks at how the public pension plan model can be adapted to form the basis of a secure and flexible retirement plan in the private sector. It is intended to provide insight into achieving this goal, while accepting that there are aspects yet to be defined and details to be worked out. The need, however, is palpable.

1. **The SCP is a basic plan for the private-sector workforce that currently does not have access to a pension plan. It is not a replacement for existing pension plans in the public or private sector.** Our model provides the private employer the ability to offer reasonable, sustainable, and secure pension benefits.
2. SCPs can reduce government spending by reducing the need for retirees to rely on public assistance. As discussed above, current pension income saves the government billions in public assistance expenditures. SCPs can further enhance that savings.
3. The SCP will close the "retirement savings gap" for private-sector workers when added to Social Security and personal savings, including 401(k)s.

The SCP is a much-needed approach to provide retirement security to private-sector workers who do not have access to a pension plan. It is a prototype to address the retirement security crisis through a guaranteed, affordable, sustainable pension that draws on the lessons learned from successful public pension plans, while managing and sharing risk among employers and employees. The time for the SCP is now.

EXHIBIT I

Summary of Basic Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Pension:

Age Requirement	65.
Amount	A single life annuity actuarially equivalent to the participant's accrued virtual account balance.
Virtual Account Balance	A participant's virtual account balance accumulates at a rate of 6% of covered earnings plus credited annual interest at a rate determined by the yield on 10 year Treasury bills as of January 1 plus 2%.
Minimum Credited Interest	3% per year over the participant's working career; the minimum may be applied if the participant's employer withdraws from the Plan and assets are not sufficient to fully fund the virtual benefit.

Disability:

Age Requirement	None.
Amount	A single life annuity actuarially equivalent to the participant's accrued virtual account balance.

Vesting:

Requirement	Immediate vesting.
Retirement Age	65.
Amount	A single life annuity actuarially equivalent to the participant's accrued virtual account balance with credited annual interest to age 65.

Pre-Retirement Death Benefit:

Requirement	None.
Amount	A single life annuity payable to the participant's spouse, determined to be actuarially equivalent to the participant's accrued virtual account balance.

Optional Forms of Payment:	Single life. Joint and 50% survivor pension. Joint and 75% survivor pension. Joint and 100% survivor pension.
Actuarial Equivalence:	All plan benefits are paid in a form that is actuarially equivalent to the participant's virtual account balance with credited interest. Actuarial equivalence is determined using 5% interest and the RP-2000 Combined Mortality Table with rates blended for 50% males and 50% females.

EXHIBIT II

Statement of Contribution and Retiree Dividend Policy

The Secure Choice Pension's Effective Contribution Rate for participating employers is developed from the following calculations:

Standard Funding Contribution Calculation:

Objective of Calculation	This calculation determines funding requirements necessary to exceed requirements based on ERISA multiemployer defined benefit plan funding requirements.
Assumptions	The Standard Funding Assumptions are determined by the Plan's actuary in consultation with the Trustees. Model assumptions are detailed in Exhibit III.
Actuarial Value of Assets	The Standard Funding Actuarial Value of Assets is determined using a smoothing method proscribed by the Plan's actuary in consultation with the Trustees, subject to IRS approval requirements for multiemployer defined benefit plan funding. The asset method is required to make provision for any Retiree Dividend Reserve which exists. The current method is described in Revenue Procedure 2000-40, Section 15 with 5 year smoothing. A detailed description of this method is provided in Exhibit III.
Amortization Method	Actuarial gains and losses are amortized by establishing a 15-year gain or loss base each year in accordance with ERISA multiemployer funding rules. However, in excess of ERISA requirements, if the net amortization payment is negative, this negative payment is not recognized as an offset to the normal cost of benefit accruals for active participants.

Conservative Funding Contribution Calculation:

Objective of Calculation	This calculation determines the funding which will be required if life expectancy improvements are much greater than expected and the Plan's assets do not perform well enough to provide a margin over the expected interest crediting rate for participants. The funding will amortize losses over a longer period of time and use overfunding to offset normal cost of benefit accruals. The funded status with respect to Conservative assumptions is also used to determine what, if any, amount will be used to establish a Retiree Dividend Reserve.
Assumptions	The Conservative Funding Assumptions are the same as those used for the Standard calculation except the investment return is assumed to be exactly equal to the interest crediting rate and mortality is projected using an additional 20 years of life-expectancy improvement. These assumptions are detailed in Exhibit III.
Actuarial Value of Assets	Market Value of Assets with no recognition of the Retiree Dividend Reserve.
Amortization Method	20 year level dollar open amortization of the unfunded liability.

EXHIBIT II (cont.)

Statement of Contribution and Retiree Dividend Policy

The Secure Choice Pension's Effective Contribution Rate for participating employers is developed from the following calculations:

Effective Contribution Calculation:

Objective of Calculation	This calculation determines the contribution as a percentage of payroll, which will be required for participating employers. Its purpose is to achieve relatively level plan costs. This is done by blending two separate contribution calculations which recognizes the expected margin incorporated into the design and a contribution calculation that uses a longer funding period but which does not recognize this margin until certain funding levels are attained.
Calculation	The contribution is determined by taking the sum of 70% of the greater of the Standard Funding Contribution and the Conservative Funding Contribution, plus 35% of the lesser of the Standard Funding Contribution and the Conservative Funding Contribution. This amount is adjusted to be not less than the Standard Funding normal cost. The final Effective Contribution is divided by projected payroll to determine a contribution rate to be paid on covered earnings by participating employers.

Retiree Dividend Reserve:

Total Amount of Reserve	The amount of the Reserve is the lesser of : (1) the prior year's Reserve minus the prior year's Retiree Dividend payments, or (2) 70% of the excess, if any, of the assets over 110% of the Conservative Funding accrued liability.
Total Dividends for Plan Year	The total amount of dividends paid from the Reserve for the upcoming Plan Year is determined by dividing the Reserve by the average expected lifetime of participant in pay status. Subsequent investment returns that are not sufficient to fully fund plan liabilities may result in a rollback of future Dividend payments.

Amendment Procedure:	The procedures used to determine the Effective Contribution, the Retiree Dividend Reserve, and the allocation of the Retiree Dividend Reserve may be amended by Trustees, subject to the approval of the entity guaranteeing the Plan. At all times, the Plan is required to meet funding requirements that are based on ERISA multiemployer defined benefit plan funding requirements.

EXHIBIT III

Statement of Actuarial Assumptions and Methods

Standard Mortality Rates: Healthy: RP-2000 Combined, projected generationally using Scale AA, blended for 50% males and 50% females.

Disabled: RP-2000 Disabled Retiree, projected generationally using Scale AA, blended 50% males and 50% females.

Conservative Mortality Rates: Healthy: RP-2000 Combined, projected generationally with an additional 20 years of improvement using Scale AA, blended for 50% males and 50% females.

Disabled: RP-2000 Disabled Retiree, projected generationally with an additional 20 years of improvement using Scale AA, blended 50% males and 50% females.

Withdrawal Rates: No withdrawal prior to retirement was assumed.

Disability Rates: No disability was assumed.

Retirement Rates: 100% of participants are assumed to retire at age 65.

Benefit Election: Single life annuity.

Salary Scale:

Age	Rate
18-39	5.00%
40-49	3.50%
50+	3.00%

Standard Investment Return: 7.00%

Conservative Investment Return: 5.00%

Inflation: 3.00%

Standard Actuarial Value of Assets: Method as described in Revenue Procedure 2000-40, Section 15. Actuarial value is equal to the market value of assets less unrecognized returns in each of the last 5 years. Unrecognized return is the expected asset gain or loss on a market value basis, and is recognized over the 5-year period. An adjustment (if necessary) is made so that the actuarial value of assets is within a 20% corridor of market value. Finally, the actuarial value of assets is reduced by the amount of the Retiree Dividend Reserve.

Conservative Actuarial Value of Assets: Market value of assets without adjustment for the Retiree Dividend Reserve.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment.Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

Population Data: The distribution of ages and salaries for active participants in funding projections was generated by starting with an initial population uniformly distributed over ages 18-64 with salaries consistent with the assumed salary scale. This population was projected for 50 durations using the assumptions above with any participants leaving the active population being replaced by new entrants from the initial distribution.

EXHIBIT IV

Sample Replacement Ratios

The tables below show the expected replacement ratios for a participant entering the plan at a given age. These ratios are the percentage of a participant's pre-retirement income which would be provided as a guaranteed life annuity if the participant worked from the age given until age 65 and then retired. Recent studies indicate that the average worker needs to replace 80% of pre-retirement income to maintain their standard of living.

Estimated Replacement Ratios with a 5% annual crediting rate

Entry Age	Expected Social Security Replacement Ratio*	Expected Personal Savings Including 401(k) Replacement Ratio**	Total Replacement Ratio with Social Security and Personal Savings Only	Expected SCP Replacement Ratio***	Total Replacement Ratio with SCP
25	30%	25%	**55%**	29%	**84%**
35	26%	18%	**44%**	21%	**65%**
45	17%	11%	**28%**	13%	**41%**

** Calculated using 2011 bend points and assuming career earnings consistent with national average. For ages 35 and 45, the replacement ratio is prorated to reflect the fraction of a participant's 35 years of covered earnings used in Social Security Primary Insurance Amount calculation which would be earned under their tenure with their current employer if they worked until age 65.*

*** Calculated using assumed salary increases as shown in Exhibit III, an average return of 5% per year, a contribution rate of 6% per year, and annuity conversion based on PBGC annuity valuation assumptions.*

**** Calculated using assumed salary increases as shown in Exhibit III and an expected credited interest rate of 5% per year.*

Estimated Replacement Ratios with the minimum 3% annual crediting rate

Entry Age	Expected Social Security Replacement Ratio*	Expected Personal Savings Including 401(k) Replacement Ratio**	Total Replacement Ratio with Social Security and Personal Savings Only	Expected SCP Replacement Ratio***	Total Replacement Ratio with SCP
25	30%	17%	**47%**	19%	**66%**
35	26%	14%	**40%**	15%	**55%**
45	17%	9%	**26%**	10%	**36%**

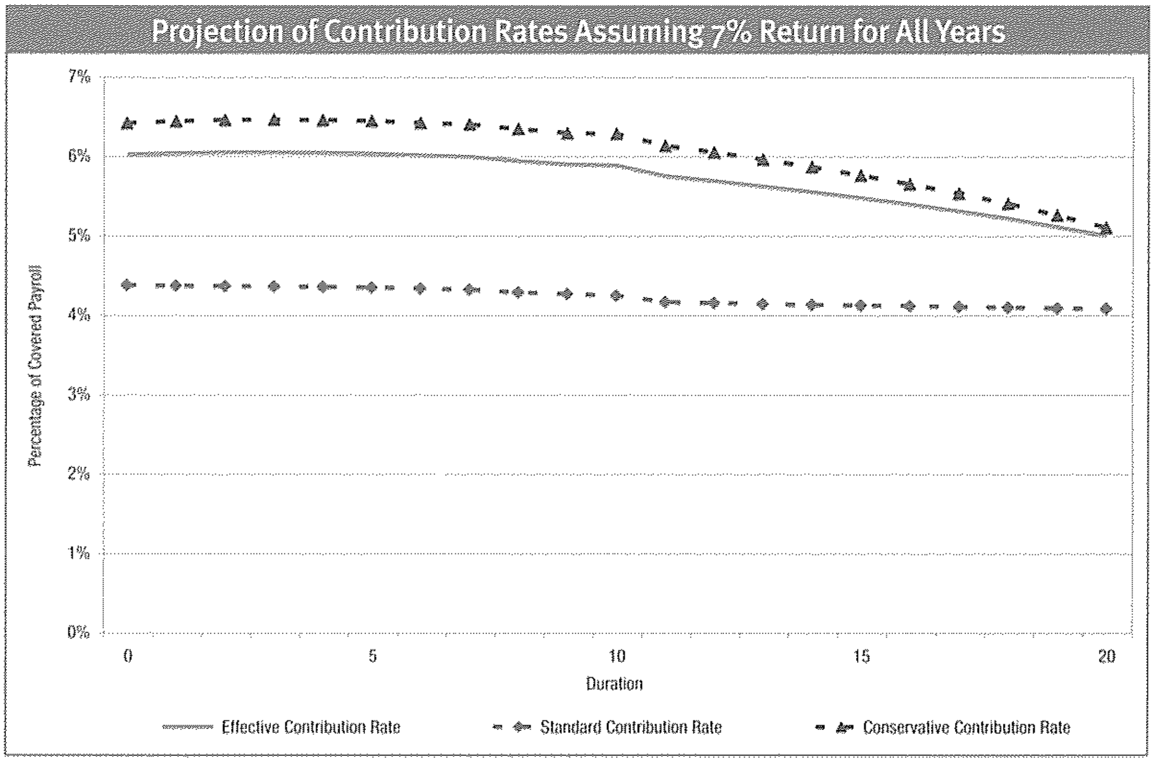
** Calculated using 2011 bend points and assuming career earnings consistent with national average. For ages 35 and 45, the replacement ratio is prorated to reflect the fraction of a participant's 35 years of covered earnings used in Social Security Primary Insurance Amount calculation which would be earned under their tenure with their current employer if they worked until age 65.*

*** Calculated using assumed salary increases as shown in Exhibit III, an average return of 3% per year, a contribution rate of 6% per year, and annuity conversion based on PBGC annuity valuation assumptions.*

**** Calculated using assumed salary increases as shown in Exhibit III and a minimum credited interest rate of 3% per year.*

EXHIBIT V

Illustrative Plan Funding Requirements



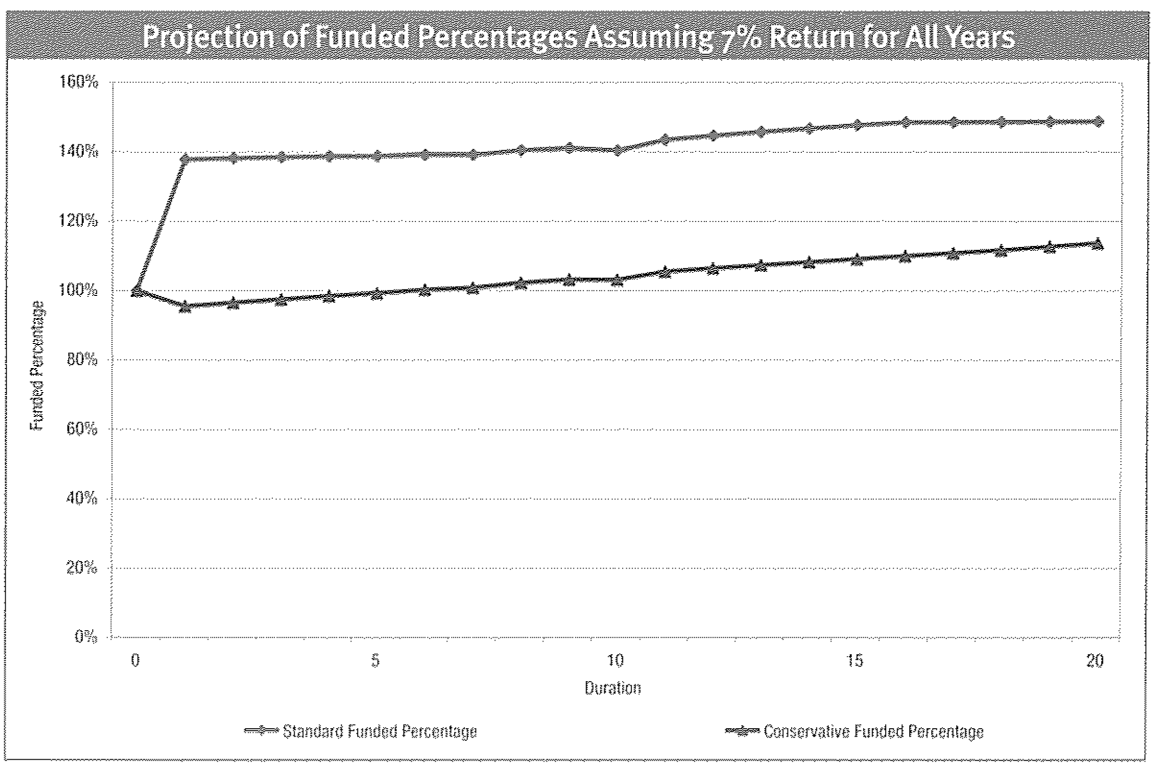
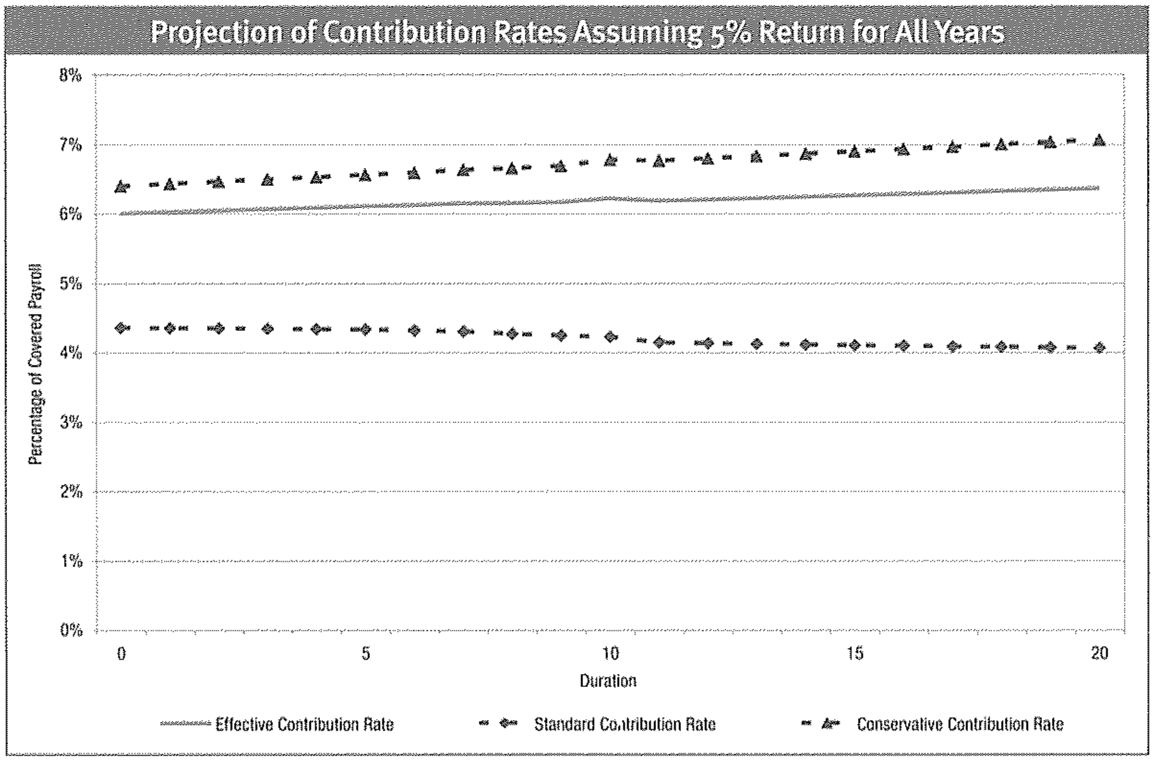
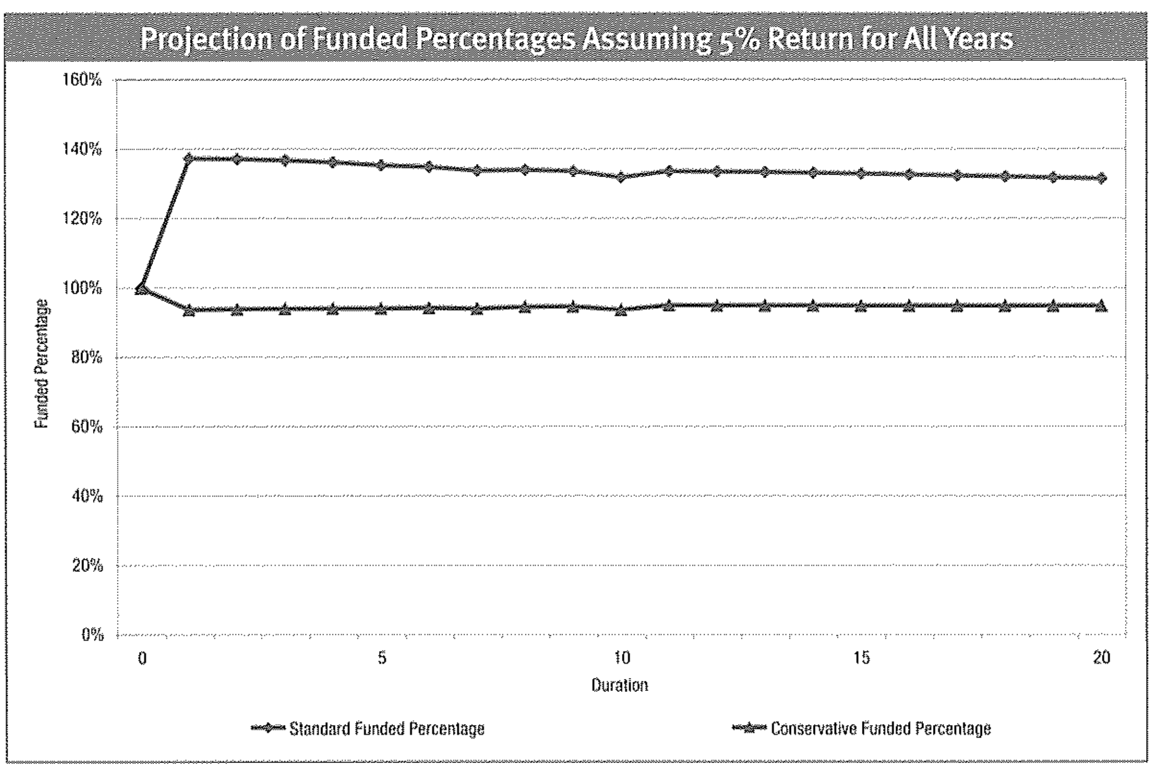


EXHIBIT V

Illustrative Plan Funding Requirements





THE NATIONAL CONFERENCE ON PUBLIC EMPLOYEE RETIREMENT SYSTEMS (NCPERS)

is the largest trade association for public sector pension funds, representing more than 500 funds throughout the United States and Canada. It is a unique non-profit network of trustees, administrators, public officials and investment professionals who collectively manage nearly $3 trillion in pension assets held in trust for approximately 21 million public employees and retirees — including firefighters, law enforcement officers, teachers, and other public servants.

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ABOUT THE PROGRAM

The State Initiatives on Retirement Security (SIRS) Symposium seeks to educate state & local elected officials, policy advisors, and advocates on recent trends, current issues, and what may be the next evolution of state based public-private partnerships on retirement security for the private sector.

Studies have placed the retirement crisis in the United States at upwards of $14 trillion. This retirement savings deficit is largely due to the lack of access to employer sponsored retirement plans in the private sector. Since 2012, 10 states have enacted legislation to address the retirement crisis facing the private sector. And three times that number of states have taken a serious policy look at establishing a state sponsored retirement initiative for the private sector. While this is positive news, there are many variations on approaches causing confusion and misunderstanding. The SIRS Symposium seeks to make sense of it all and provide actionable information and knowledge so you can begin to examine an approach that's right for your state or refine your state's efforts.

WHO SHOULD ATTEND?

The SIRS Symposium is sponsored by NCPERS who launched the Secure Choice Pension proposal in 2011 to provide thought-leadership, spur dialogue, and initiate state based action to address retirement insecurity. We invite all those interested in tackling the retirement crisis to attend, including:

- State legislators and their staff
- Governors and their staff
- State Treasurers and their staff
- Other state or local elected officials involved with retirement issues
- Advocates of retirement security
- Financial services and investment community

COST

Complimentary to all NCSL attendees and NCPERS members.

PRELIMINARY AGENDA*

2:30 pm - 7:00 pm Registration

2:30 pm - 6:00 pm General Session I

- U.S. Department of Labor's Perspectives on State Initiatives
- Retirement Readiness Scorecard by State
- ERISA: Is It a Foe, Friend, or Frenemy?

2:30 pm - 6:00 pm General Session I (continued)

- Implementation updates from Massachusetts, Illinois, and Washington State
- Barriers to Enactment: Lessons from Failed Attempts

6:00 pm - 7:00 pm Reception

*Subject to change

REGISTRATION FORM

Registration is complimentary for all NCSL attendees and NCPERS members.

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Retirement Readiness in New York City:

Trends in Plan Sponsorship, Participation and Income Security

Schwartz Center for Economic Policy Analysis (SCEPA), The New School

Teresa Ghilarducci and Joelle Saad-Lessler with Michael Papadopoulos

June 2015

Schwartz Center for Economic Policy Research
6 East 16th Street
11th Floor
New York, NY, 10003
economicpolicyresearch.org

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New Yorkers Need Retirement Plans at Work

New Yorkers need safe and convenient mechanisms to save for old age. Secure pension income helps strengthen the city's financial future by keeping social spending down and older residents' spending power up. However, low and decreasing rates of employer sponsorship of retirement plans and the shift from traditional pension plans to 401(k)-type plans are threatening New Yorkers' financial readiness for retirement.

Many working New Yorkers depend on Social Security and the convenience and affordability of employer-sponsored retirement plans to finance their old age. However, fewer than half of New York residents have access to a retirement plan at work.

- Only 43 percent of New York City workers were offered a retirement plan at work in 2012 (most recent data). Sponsorship rates in New York City remain significantly below the national average of 54 percent.
- Nearly two-thirds of New York City residents (over 3 million people) did not participate in employer-sponsored retirement plans in 2012, largely because their employer did not offer one. Over 1.8 million residents worked at firms which did not offer an employer-sponsored retirement plan, and an additional 200,000 workers were sponsored by a plan but did not participate. Finally, 1.2 million were not working in 2012 and, by definition, did not participate in an employer-sponsored plan.

Declining savings levels threaten New Yorkers with the possibility of experiencing a lower standard of living or poverty in retirement.

- Using the federal poverty threshold, a conservative method for computing poverty, 7 percent of city workers aged 50-64 currently live in or near poverty. This report predicts the near-poverty rate will increase from 7 to 20 percent for these workers in retirement. Using the New York City Center for Economic Opportunity standard for poverty, the rate of projected poor or near-poor retirees would more than double.

New Yorkers are less prepared for retirement in 2012 than they were after the Great Recession in 2009.

- More than half of households with heads of households near retirement age (50-64 years old, working and not) had liquid assets of less than $100,000. These older households will likely subsist almost entirely on Social Security income in retirement or will not be able to retire at all.
- The majority of New York City households without an employer-sponsored retirement plan have less than $1,000 in liquid assets to finance retirement.
- The median level of liquid assets for workers who participate in workplace retirement plans decreased by almost 50 percent, mostly because of investment losses which declined in value by 62 percent. Retirement accounts declined in value by 17 percent in the same period from 2009 to 2012.

The first section of this report describes the trends in sponsorship of retirement plans by employers at the local and national levels and analyzes the rate of participation in employer-sponsored retirement plans. The second section examines how the group nearest retirement in 2012 (those aged 50-64[1]) is prepared financially for life after age 65.[2]

The findings suggest that low sponsorship and the shift to 401(k)-type plans are jeopardizing the retirement security of working New Yorkers with a greater number of New York City residents likely to experience a dramatic drop in living standards as they age

Section 1:

Employer Sponsorship of Retirement Plans at Work is Declining

Employers have traditionally played an integral role in the U.S. retirement system.[3] They have contributed to their employees' retirement plans as part of a benefits package designed to attract and retain quality workers, bolstering workers' assets and easing the burden of saving for retirement.

Workplace retirement plans are the most effective and convenient vehicle for workers to save for retirement. Why? Because a paycheck provides the source of savings and paycheck dedication provides the discipline to save. Workplace plans automatically deduct contributions from a workers' paycheck, removing both the burden of having to manually allocate funds and the temptation to spend these funds on day-to-day budget needs.

An employer who chooses to sponsor a retirement plan for their employees plays a significant role in the administration and design of the plan. Employers decide what type of plan to offer – a defined contribution or defined benefit plan - and how much they will contribute to the plan. A DB plan uses a formula that credits every year of service with a certain percentage of pay to determine lifetime pension benefits. The employer invests the assets and guarantees the pension, and the worker implicitly pays for the DB plan with reduced take-home earnings. In the case of DC plans – most are 401(k) plans – the employer provides a tax-advantaged savings account that employees can contribute to on a voluntary basis. The worker, not the employer, invests the assets. The employer, not the worker, provides the investment options. Employers are not required to contribute to a DC plan and level of employer contributions vary from year to year and sometimes the employers contributes nothing to a 401(k) – type plan.[4]

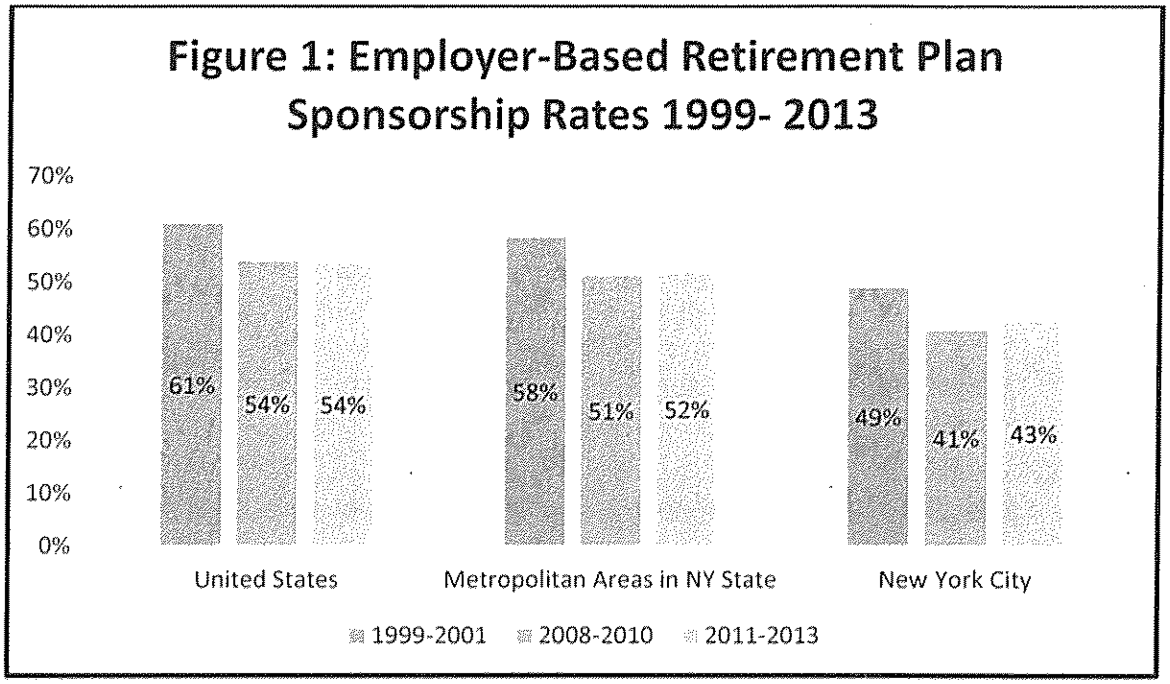
Both types of employer-sponsored retirement plans significantly improve a worker's readiness for retirement. Retirees receiving income from a workplace retirement plan are more likely to retain middle-class lifestyles than retirees without income from an employer-sponsored plan.

New York City's Sponsorship Levels Remain Lower than the Rest of the Nation

As of 2012, only 43 percent of employed New York City residents aged 25-64 had access to an employer-sponsored retirement plan. This is 11 percentage points lower than workers in the rest of the US and 9 points lower than that of other New York State metropolitan areas.[5]

While the sponsorship rate in New York City increased from 41 percent to 43 percent between 2009 and 2012, New York City workers continue to experience lower sponsorship rates than other Americans and other New Yorkers (see Figure 1).[6] Moreover, the recent increase must be considered in the context of the long-term decrease in the sponsorship rate from a peak of 55 percent in 1986 to 41 percent in 2009.

Figure 1
Sponsorship Rates in NYC and the US over Time



Source: Current Population Survey, ASEC, 2000-2002, 2009-2011, 2012-2014. Each grouping represents an average over three years. Percentages in the figure are rounded. Sample is limited to persons aged 25-64 who worked at some point in the last calendar year. New York City sample is limited to residents of New York City. Metropolitan Areas in New York State includes New York City, which represents over half of all NY metro populations.

Workplace Retirement Plan Sponsorship is Declining for Key Groups of Workers

Overall, sponsorship in New York City rose from 41 percent in 2009 to 43 percent in 2012. However, older workers (aged 50-64), self-employed, and white workers experienced significant decreases in sponsorship.

Older New York City workers' (aged 50-64) retirement plan coverage rates declined a full nine percentage points, from 51 percent in 2000 to 42 percent in 2012, the steepest decline in coverage among all age groups. In contrast, in the rest of the United States coverage rates for older workers held constant at 58 percent from 2009 to 2012. Without a retirement plan, older workers risk a significant decline in their living standards when they retire.

Self-employed workers are one of the fastest-growing categories of workers in New York City since 2000.[7] These workers can establish retirement plans for themselves, their spouses, and other employees through several provisions of the federal tax code. Among those options are the "Solo 401(k)," the simplified employee pension plan (SEP) and the SIMPLE-IRA. Also, in 2010, the Freelancers' Union established a group 401(k) plan open to union members with 1099 income. Still, sponsorship rates fell for the self-employed and remain among the lowest of all workers. In 2000, only 21 percent of all self-employed workers in New York City had a sponsored plan, and that rate fell to 9 percent by 2012.

White workers' coverage rates fell 4 percent, while coverage rates increased for other racial groups, including Black (up 7 percent), Asian (up 6 percent) and Hispanic (up 4 percent) workers. The groups that experienced the largest increases were the groups that had previously suffered disproportionate losses. Men experienced a larger increase in sponsorship (up 3 percent) than did women (up 1 percent). Sponsorship of non-citizens increased by 6 percent, whereas sponsorship of citizens did not change (see Figure 2).

Across all industries, New York employers sponsor a smaller percentage of workers than do employers in the rest of the United States. New Yorkers working in wholesale & retail trade experienced no change in sponsorship from 2009 to 2012, which at 22 percent remains significantly lower than the U.S. average. Sponsorship of public administration workers decreased by 7 percentage points to 71 percent, which is 12 percentage points below the US average.

Coverage of workers in entertainment and recreation services increased from 28 to 40 percent in two years, following a 22 percentage point drop in the eight years prior. This was the largest increase in sponsorship of all industries, followed by finance, insurance & real estate as well as personal services, where sponsorship increased by 7 percentage points in each.

Firms with less than 100 employees showed no change in sponsorship rates, while larger firms increased sponsorship of their employees. Sponsorship of employees covered by a union contract decreased by 2 percentage points, while sponsorship of those not covered by a union contract increased by 11 percentage points.

Figure 2

Figure 2: Retirement Plan Sponsorship Rates by Social and Personal Worker Characteristics in New York City and the U.S.						
	NYC			US		
	1991-2001	2008-2010	2011-2013	1991-2001	2008-2010	2011-2013
Working Population	3,074,471	3,290,111	3,274,065	120,284,074	126,541,810	126,199,130
Total Sponsored	49%	41%	43%	61%	53%	53%
Gender						
Male	47%	37%	40%	61%	53%	53%
Female	51%	45%	46%	61%	55%	55%
Citizenship Status						
Non-Citizens	30%	21%	27%	35%	28%	29%
Citizens	56%	47%	47%	63%	56%	56%
Age Group						
Ages 25-39	51%	40%	43%	59%	52%	51%
Ages 40-49	51%	38%	43%	64%	56%	56%
Ages 50-64	51%	45%	42%	62%	58%	58%
Race						
White Non-Hispanic	59%	51%	47%	65%	58%	58%
Black Non-Hispanic	52%	44%	51%	61%	54%	53%
Asian Non-Hispanic	39%	30%	36%	55%	50%	50%
Hispanic	33%	31%	35%	41%	36%	36%
Other	26%	49%	38%	53%	55%	53%
Classification of Worker						
Self-Employed	21%	11%	9%	19%	14%	13%
Wage and Salary Workers	47%	37%	41%	61%	53%	53%
Government	78%	74%	72%	87%	83%	82%
Firm Size						
1 to 99	25%	20%	20%	35%	29%	28%
100 to 499	54%	51%	53%	70%	62%	62%
500 to 999	63%	51%	57%	76%	68%	68%
1000+	75%	64%	68%	82%	76%	75%
Union Status						
Not Covered by a Union Contract	49%	35%	46%	64%	57%	58%
Covered by a Union Contract	72%	68%	66%	86%	83%	82%
Industry						
Construction	34%	25%	25%	40%	33%	33%
Manufacturing	45%	45%	48%	72%	64%	64%
Transport, Communication, Utilities	51%	39%	43%	69%	58%	57%
Wholesale & Retail Trade	29%	22%	22%	50%	43%	42%
Finance, Insurance & Real Estate	68%	54%	61%	68%	60%	62%
Business & Repair Services	38%	33%	38%	47%	41%	42%
Personal Services	21%	12%	19%	28%	22%	22%
Entertainment and Recreation Services	50%	28%	40%	53%	43%	43%
Professional Services	60%	51%	51%	71%	64%	63%
Public Administration	80%	78%	71%	89%	84%	83%

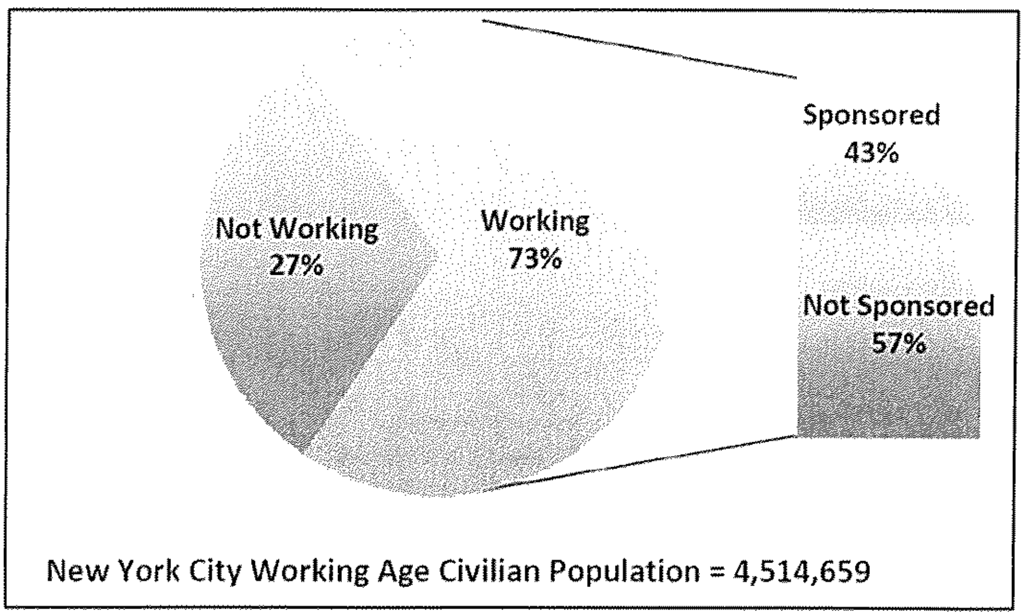
Source: CPS ASEC, 2000-2002, 2009-2011, 2012-2014. Note: Sample is limited to residents of NYC aged 25-64 who worked in the previous calendar year. Percentages in the table are rounded. Classification of worker listing excludes unpaid family workers, members of the U.S. Armed Forces, and those who did not specify their classification. Industry listing excludes agriculture, forestry and fishing, mining, and the military.

Employee Participation in Workplace Retirement Plans is Declining

Even if an employer sponsors a retirement plan for their employees, participation isn't universal. An employer is permitted under law to exclude employees from participating in a retirement plan if they have less than one year of service, are part-time, or are younger than 25.[8] Moreover, the structural differences between DB and DC plans impact employee participation. In a DB plan, worker participation is mandatory, guaranteeing that each worker has a retirement account if they are sponsored. Under a DC plan, workers can choose to opt out of the retirement plan.

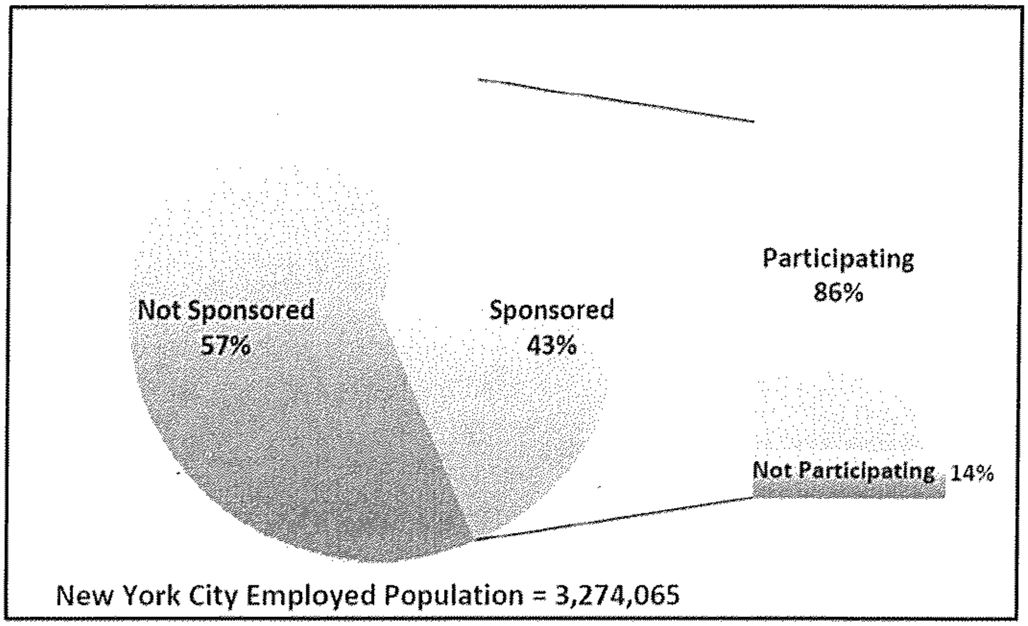
More than 2 million New York City workers (62 percent) did not participate in employer-sponsored retirement plans either because their employer did not offer one or the employee did not participate for voluntary or involuntary reasons in 2012. An additional 1.2 million New Yorkers between the ages of 25 and 64 were not working in 2012 and, by definition, did not participate in a current employer's retirement plan (see Figure 3). Of the 43 percent of workers whose employers sponsored a retirement plan in 2012, 86 percent participated in the plan, which is 2 percentage points lower than the participation rate in 2009. Only 37 percent (43%*86%) of the overall New York City working population participated in an employer-sponsored retirement plan in 2012 (see Figure 4).

Figure 3
Employment Status and Sponsorship for NYC Residents, 2012



Source: Current Population Survey, ASEC 2012-2014, March Supplement. Percentages in chart represent three-year averages, with output representing median year. Sample is limited to NYC residents aged 25-64 who worked. Percentages are rounded.

Figure 4
Sponsorship and Participation Rates for New York City Workers, 2012

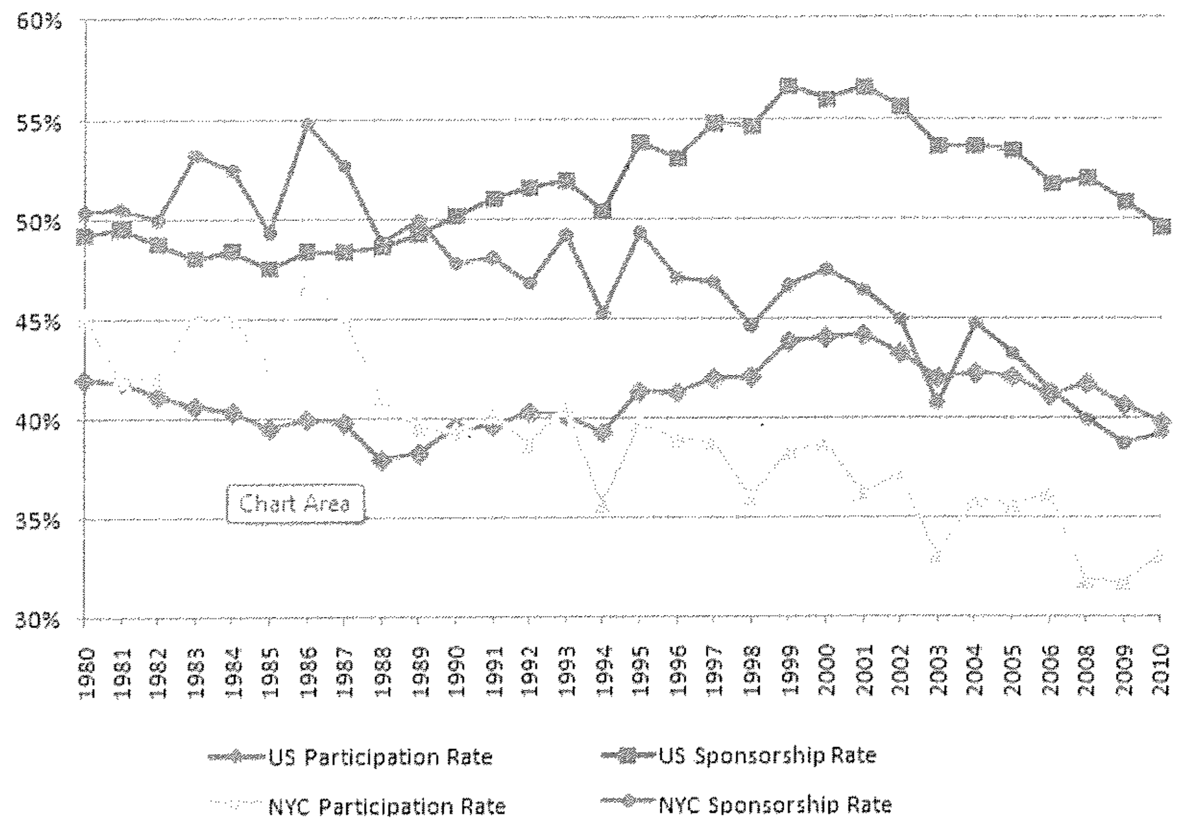


Source: Current Population Survey, ASEC 2012-2014, March Supplement. Percentages in chart represent three-year averages, with output representing median year. Sample is limited to NYC residents aged 25-64 who worked. Percentages are rounded.

Declines in Sponsorship and Participation are a Long-Term Trend

Both sponsorship and participation have declined in New York City since the mid-1980s, a concerning development for the future of retirement readiness in New York City. In 1986, New York City employers sponsored retirement plans for 55 percent of New York City workers and 47 percent of all workers participated in those plans. By 2012, only 43 percent of workers were sponsored and 38 percent of all workers participated. These downward trends in sponsorship and participation were not seen in the rest of the United States until the mid-2000s. In the last ten years, New York City sponsorship and participation rates have declined faster than the rest of the US (see Figure 5). These persistent trends indicate that the low sponsorship rates found in this report are not merely a result of the 2008-2009 recession, but a product of persistent structural factors.

Figure 5
Pension Sponsorship and Participation in Historical Perspective, US and NYC



Source: March Supplement data from the CPS, from the IPUMS data

Section 2:

Spotlight on Older Workers' Retirement Readiness

Low levels of employer sponsorship of retirement plans coupled with the changing nature of plan design have eroded retirement plan participation and, potentially, the retirement security of New York workers. But retirement plans in the workplace provide only one source of income in retirement. This section evaluates New Yorkers' readiness for retirement by including income from all possible sources assuming the older worker retires at 65. Unfortunately, the choice facing many New Yorkers who are nearing retirement is poverty or work.

One surprising finding is that defined contribution plans do not provide much protection against the risk of old-age poverty. Workers with defined benefit plans, a group which is shrinking in number, are more likely to maintain their living standards in retirement. The only group of older New York households not vulnerable to downward mobility in retirement are the 435,000 households with the highest levels of net worth over $300,000.

The average net worth of near-retirement (aged 50-64) households residing in the metropolitan areas of New York State (the smallest unit of analysis for wealth holdings) was $140,074 in 2012 for single person households, $507,937 for married couple households, and $181.291 for other household types.[9] All three net worth figures are significantly lower in real terms than in 2009. The average net worth for single person households declined by $28,806 (a 17 percent decrease), a married couple households by $69,494 (a 12 percent decrease), and other households by $14,153 (a 7 percent decrease) (compare Figures 6a and 6b).

Figure 6a

Figure 6a: Household Net Worth (including home equity) of Older Households Working and Not Working Aged 50-64 in Metropolitan Areas of New York State, 2011

	Single Person Household	Married Couple Household	Other Households
Average	$140,074	$507,937	$181,291
Median	$22,521	$352,000	$54,404

Source: 2008 Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas. Age of the household is based on the age of the household reference person. Information on assets derives from wave 10 (fielded August-November 2011), while all other information is from wave 11 (December 2011- Mar 2012) of the SIPP 2008 panel. Net worth consists of investment, business equity, real estate, home equity, the value of mobile homes, retirement savings less debt owed. Other households include unmarried partner households, and households where the parent of the reference person lives in the household.

Figure 6b

Figure 6b: Household Net Worth (including home equity) of Older Households Aged 50-64 in Metropolitan Areas of New York State, 2009 (in $2011)

	Single Person Household	Married Couple Household	Other Households
Average	$168,870	$577,431	$195,444
Median	$49,256	$454,594	$94,320

Source: Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas. Age of the household is based on the age of the household reference person. Information on assets derives from wave 4 (fielded August-November 2009), while all other information is from wave 3 (Apr-Jul 2009) of what is called the '"2008" SIPP panel, the panel assembled in 2008. Net worth consists of investment, business equity, real estate, home equity, the value of mobile homes, retirement savings less debt owed. Other households include unmarried partner households, and households where the parent of the reference person lives in the household.

The average household net worth is high relative to most households due to the fact that a few households with very high net worth bring up the average. The median asset value provides greater insight into the experience of a typical New York household. The decline in median asset values is significant. Single person households declined in median net worth from $49,256 in 2009 to $22,521 in 2012 (a 54 percent decrease), married households from $454,594 to $352,000 (a 23 percent decrease), and other households from $94,320 to $54,404 (a 42 percent decrease).

The loss in net worth over a span of only two years translates into a significant loss when an individual retires and liquidates their household's financial assets, including the home, to purchase a guaranteed income annuity from a private financial institution. The net worth of the median New York household is converted to an income stream of $1,356 per year for single person households, $17,100 for married couple households, and $3,264 for other household types.[10] This income would supplement a household's defined benefit pension and Social Security benefit. In practice, however, these numbers overstate the annuity. First, most near-retiree households cannot afford annuities due to the high rates offered by the for-profit insurance industry. Second, most retired homeowners will choose to keep their homes rather than sell them to annuitize their home equity.

Four in 10 near-retirement New York households have less than $10,000 in total liquid assets[11] at their disposal. Another 16 percent have less than $100,000 in total liquid assets to annuitize (see Figure 7a). The average household in this group has enough assets to purchase an annuity that provides them just $45 a month.[11] In other words, over half of near-retirement households in New York have almost no assets to annuitize. These households will depend almost entirely on Social Security income, an income stream which that is insufficient to maintain living standards in retirement.

Figure 7a

Figure 7a: Total Liquid Assets of Near-Retirement Households – Aged 50-64 in Metropolitan Areas of New York State, 2011 (Includes those with no assets)

Total Household Liquid Assets	No. of Households	Percent of Total Households	Mean Household Income	Median Household Income
Less than $10,000	839,751	40%	$38,848	$25,224
$10,000 to $99,999	354,260	17%	$64,800	$48,816
$100,000 to $299,999	411,216	20%	$93,121	$71,532
$300,000 or more	481,846	23%	$141,301	$111,204
Total	2,087,073			

Source: Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas. Age of the household is based on the age of the household reference person. Information on assets derives from wave 10 (fielded August-November 2011), while all other information is from wave 11 (December 2011- Mar 2012) what is called the '"2008" SIPP panel, the panel assembled in 2008. Liquid assets comprise of financial investments, retirement savings, money owed for the sale of a business and other assets, including real estate and mobile homes not used as primary residence.

Figure 7b

Figure 7b: Total Liquid Assets of Near-Retirement Households – Aged 50-64 in Metropolitan Areas of New York State, 2009 (in $2011). (Includes those with no assets)

Total Household Liquid Assets	No. of Households	Percent of Total Households	Mean Household Income	Median Household Income
Less than $10,000	654,309	35%	$37,930	$21,895
$10,000 to $99,999	376,355	20%	$62,359	$52,077
$100,000 to $299,999	412,892	22%	$94,162	$81,127
$300,000 or more	435,981	23%	$156,405	$119,679
Total	1,879,537			

Source: 2008 Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas. Age of the household is based on the age of the household reference person. Information on assets derives from wave 4 (fielded August-November 2009), while all other information is from wave 3 (Apr-Jul 2009) of the SIPP 2008 panel. Liquid assets comprise of financial investments, retirement savings, money owed for the sale of a business and other assets, including real estate and mobile homes.

More than 700,000 households, or nearly six in 10, did not have a retirement plan at work in 2012. On average, these households have less than $30,000 in retirement savings. But more than half of these households have absolutely no savings and no home equity. At the same time, the median annual income of these households has decreased by more than $2,000, or 10 percent, which makes accumulation of savings even more difficult and lowers expected payouts from Social Security to these households (see Figures 8a and 8b). This data show just how restricting the lack of coverage can be on households planning for retirement. Those without an employer-sponsored plan have almost no savings and few other assets to draw on in retirement. On the other hand, households with access to employer-sponsored plans have amassed more than double the liquid assets than those without plans. The disparity is even greater when looking solely at retirement savings.

Figure 8a

Figure 8a: Total Liquid Assets of Near-Retirement Households – Aged 50-64 in Metropolitan Areas of New York State by Retirement Plan Type, 2011. (Includes those with no assets and those working and not working)

	Households with DB Plans		Households with DC Plans		Households without a Retirement Plan at Their Current Employer	
Assets/Liabilities	Mean	Median	Mean	Median	Mean	Median
Investments	$176,452	$79,000	$170,190	$34,000	$45,935	$200
Other Assets	$22,892	$0	$36,940	$0	$23,468	$0
Retirement Savings (IRA, KEOGH, 401K, 403B)	$105,816	$63,993	$117,625	$70,000	$29,956	$0
Debt	$11,590	$300	$6,420	$500	$4,843	$0
Total Liquid Assets Less Debt	$293,570	$142,693	$328,335	$104,500	$94,516	$200
Number of Households	303,445		679,842		1,103,786	
Home Equity	$124,970	$90,000	$146,432	$85,000	$94,385	$0
Household Income	$115,099	$91,224	$116,256	$85,896	$43,482	$29,040

Source: 2008 Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas who worked at some point in the reference period (December 2011- Mar 2012), had positive earnings, were not unpaid family workers, and were not in the agriculture, forestry, or fishing sectors. Households with DB plans may also have a DC plan, while households with DC plans are defined as those who only have a DC plan. Information on assets derives from wave 4 (fielded August-November 2009), while all other information is from wave 3 (Apr-Jul 2009) of the SIPP 2008 panel.

Figure 8b

Figure 8b: Total Liquid Assets of Near-Retirement Households – Aged 50-64 in Metropolitan Areas of New York State by Retirement Plan Type, 2009 (in $2011) (Includes those with no assets)

	Households with DB Plans		Households with DC Plans		Households without a Retirement Plan at Their Current Employer	
Assets/Liabilities	Mean	Median	Mean	Median	Mean	Median
Investments	$173,009	$74,408	$266,540	$125,812	$57,713	$524
Other Assets	$32,736	$0	$57,782	$0	$21,170	$0
Retirement Savings (IRA, KEOGH, 401K, 403B)	$96,422	$31,440	$125,554	$78,600	$28,662	$0
Debt	$8,902	$1,048	$19,579	$1,258	$5,386	$0
Total Liquid Assets Less Debt	$293,265	$104,800	$430,297	$203,154	$102,159	$524
Number of Households	442,325		456,639		980,573	
Home Equity	$162,452	$103,752	$156,040	$91,176	$114,564	$0
Household Income	$113,408	$91,729	$115,457	$96,571	$53,598	$31,402

Source: 2008 Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas who worked at some point in the reference period (December 2011- Mar 2012), had positive earnings, were not unpaid family workers, and were not in the agriculture, forestry, or fishing sectors. Households with DB plans may also have a DC plan, while households with DC plans are defined as those who only have a DC plan. Information on assets derives from wave 4 (fielded August-November 2009), while all other information is from wave 3 (Apr-Jul 2009) of the SIPP 2008 panel.

The median value of total liquid assets for households with defined contribution plans fell by half in just two years. Only households with defined benefit plans experienced an increase in their total liquid assets between 2009 and 2012. The median value of investments for those with DC plans decreased by 73 percent and the median for those with DB plans increased by 6 percent between 2009 and 2012. In addition to investment losses, households with DC plans experienced a fall in their retirement plan balances by 11 percent, while those with DB plans saw their retirement savings balances increase by over 100 percent.

Older Workers Face Downward Mobility in Retirement

Most retirement experts agree that replacement rates[12] should be at least 70 percent of final employment income for households to maintain living standards in retirement.[13] Income replacement comes primarily through Social Security income and the annuitization of liquid assets. This report assumes retirees will annuitize their liquid assets. While households with DB plans have an additional source of income, it is not accounted for here due to the limitations of the

SIPP data.[9] (However, New York State personal income tax data indicates that 25 percent of New York City tax filers reported pension and/or annuity income in 2010, with an annual average of $4,732 in such income per filer.)

According to the AARP retirement calculator, none of the three household types (defined benefit, defined contribution, and no plan) will be able to maintain their standard of living in retirement. While households with DC plans are able to accumulate more assets during their working years, these findings suggest defined contribution plans alone (62 percent) do not provide enough savings to maintain living standards. Finally, those with no access to a plan (56 percent) are expected to experience a significant decline in their living standard.[14] Households with DB plans (50 percent) are the only households for which the replacement rate has increased since 2009. However, these replacement rates remain below the recommended level.

Figure 9

Figure 9: Replacement Rates of Near-Retirement Individuals (Aged 50-64) by Primary Retirement Plan Type In NY State Metros

	Defined Benefit	Defined Contribution	Neither
2009	47%	70%	56%
2012	50%	62%	56%

Source: 2008 Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas who worked at some point in the reference period (December 2011- Mar 2012), had positive earnings, were not unpaid family workers, and were not in the agriculture, forestry, or fishing sectors. Note: Replacement rates for each group calculated using the AARP Retirement Calculator for an unmarried male currently age 57, retiring at age 65 with a life expectancy of 87. Total liquid assets are assumed to be equal to the median for the corresponding group, all of which is annuitized at retirement, and Social Security income is projected based on current household income (see Figure 8a). Nominal annual of return on savings before retirement is assumed to be 6% before retirement, 3.6% after retirement. Inflation and nominal wage growth are assumed to be 2.5% per year. Income taxes are assumed to be 11% per year before retirement, 8% after retirement. Defined benefit balances grow by 1.5% of earnings each year. Reported replacement rates are the lowest rates at which no shortfall exists.

If current trends continue, not only will retirees experience lower standards of living in retirement, many will end up living with very low incomes unless they work. By the time older workers (ages 50-6) retire at age 65, the portion living in poverty or near poverty will more than double, from a 10.9 percent risk of being poor while working to a risk of 22.8 percent of being poor in retirement after age 65. In other words, almost 250,000 more people are expected to be poor or near poor when they retire.

These rates of projected poverty for 65-year-olds are higher than what they would have been in 2009 if assets had not declined during the recovery. In 2009, the poverty rate for workers age 50-64 was 7.5 percent. Based on their assets in 2009, we project a poverty rate of 18.6 percent for a 65-year-old retiree. In 2009, an older worker faced an 11.1 percent increase in the risk of poverty when retiring at age 65. In 2011, the risk of poverty increased. In 2011, 10.9 percent of older workers had incomes below 150 percent of the federal poverty level, and we predict that when they retire at age 65, 11.9 percent will be officially poor or near poor (see Figure 10).

Figure 10

Figure 10: Current Near Poverty Rate for Workers Aged 50-64 vs. Projected Rate at Age 65			
	At Current Age	At Age 65 (Projected)	Increase in poverty risk from age 50-64 to age 65
2009	7.5%	18.6%	11.1%
2012	10.9%	22.8%	11.9%

Source: 2008 Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas who worked at some point in the reference period (December 2011- Mar 2012), had positive earnings, were not unpaid family workers, and were not in the agriculture, forestry, or fishing sectors. Note: Near Poverty = income less than or equal to 150% of poverty threshold (less than $15,434 in 2009 and $16,741 in 2012). Income includes the annuitized value of all assets, including all real estate holdings except the value of one's primary residence, less debt owed on these assets.

Conclusion: New Yorkers Need Workplace Retirement Plans

Unfortunately, many New Yorkers nearing retirement will not be able to retire at all, as older workers' assets eroded in value even during the recovery from the Great Recession between 2009 to 2012. The majority of people over age 65 in New York City who chose not to work or cannot work will have to subsist primarily on Social Security in retirement. One in three New Yorkers who are retired at age 65 rely on Social Security as their sole source of income.

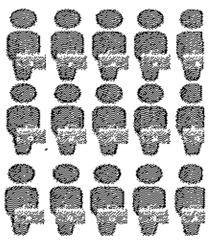
Policies aimed at providing workers access to employment-based retirement savings vehicles, such as Guaranteed Retirement Accounts (GRAs), would go a long way toward reversing the erosion in retirement prospects predicted by the findings of this report. A GRA plan would provide a convenient way to save consistently for retirement and obtain a low cost annuity. Specifically, a GRA is a mandated, professionally managed retirement account – a hybrid between a defined benefit pension and a 401(k)-type defined contribution plan - that would guarantee principal and an annual rate of return and pay annuities with no obligation or risk to the government. The savers would pay for the guarantee by foregoing returns exceeding the guarantee. GRAs add on to Social Security at the city, state, or federal level.

Despite billions in tax breaks and decades of regulations, about half of the American workforce does not have a retirement plan. An increasing number of vulnerable elderly increases the financial burden of families and government. A GRA at the city, state, or federal level that supplements a strengthened Social Security system would be a major step toward preventing the coming retirement crisis.

NYC Workers Face Downward Mobility in Retirement
Increases in Old-Age Poverty, 2012-2027

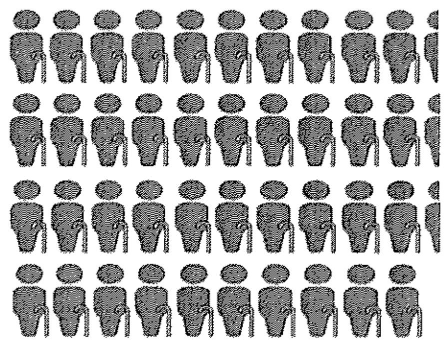
- 2012 - 147,000 New York City workers near retirement (50 to 64 years old) were living at or near the federal poverty line of $16,741
- 2027 - 403,000 of these workers will be living at or near the poverty line in retirement
- 1 out of 5 near-retirees in 2012 will be living in poverty or near poverty when they retire at 65

Poor and Near-Poor Workers 2012



15 Years Later

Poor and Near-Poor Retirees 2027



Each character with a briefcase represents 10,000 workers who are currently poor or near poor.
Each character with a cane represents 10,000 of those who were working that will be poor or near poor in retirement.

Source: 2008 Survey of Income and Program Participation (SIPP) Panel. Notes: Sample is limited to residents of NY State metropolitan areas who worked at some point in the reference period (December 2011- March 2012), had positive earnings, were not unpaid family workers, and were not in the agriculture, forestry, or fishing sectors. Near Poverty =income less than or equal to 150% of federal poverty threshold (less than $16,741 in 2012). Income includes the annuitized value of all assets, including all real estate holdings with the exception of the value of one's primary residence, less debt owed on these assets.

www.economicpolicyresearch.org

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Endnotes

[1] A household is defined as aged 50-64 if the reference person for the household is in this age range. A reference person is an owner or renter of record for the household. All other members in the household are listed based on their relationship to the reference person.

[2] The first and second sections rely on 2000-2002, 2009-2011 and 2012-2014 data from the Current Population Survey (CPS), a joint program administered by the Census Bureau and the Bureau of Labor Statistics. The second and third sections use data from the 2008 Survey of Income and Program Participation (SIPP). The third section also uses 2010 (the most recent posted). New York State Income Tax Files to consider the retirement preparedness of households aged 55-64 in the metropolitan areas of New York State. NYS Income Tax Files from: http://www.tax.ny.gov/research/stats/stat_pit/analysis_of_personal_income_tax_returns.htm. Accessed June 11, 2015.

[3] Boivie, I. 2011. "Who Killed the Private Sector DB Plan?" Washington DC: National Institute on Retirement Security.

[4] Social Security Administration. 2008. "Income of the Population 55 and Older." Washington DC; William G. Gale. 1998. "The Effects of Pensions on Household Wealth: A Reevaluation of Theory and Evidence." *The Journal of Political Economy*, Vol. 106, No. 4. (Aug.), pp. 706-723.

[5] Using data from the Current Population Survey (CPS), this report analyzes employer sponsorship of retirement plans. The CPS asked New York City residents who worked full-time or part-time in the previous calendar year whether their employer sponsors a retirement plan, and whether they actually participate in that plan. Responses to this question were used to examine sponsorship levels for New York City residents aged 25-64 in 2000-2002, 2009-2011 and 2012-2014 (hereon referred to as 2000, 2009 and 2012 since CPS data references previous year status). Retirement plan sponsorship was also calculated for the U.S. to evaluate how New York City residents are faring relative to the rest of the nation.

[6] The CPS asks respondents about retirement plans sponsorship based on their job in the previous calendar year. Therefore, respondents who did not work in 2012, or 27 percent of the New York City population aged 25-64, were not asked about their retirement plan status (more than 87 percent of this group was out of the labor force – or not actively looking for work in 2012 – and another 13 percent were unemployed in 2012). Since those who did not work in 2012 did not have access to an employer-sponsored plan, the sponsorship rates in this report understate the rate of sponsorship for the entire working-age population at any given point in time. Some of those who are currently jobless may have a retirement plan from a previous job, or may gain access to one through a future job. Accordingly, no direct inference about the ultimate percent of the retired population that benefits from an employer-sponsored retirement plans can be drawn from current sponsorship rates.

[7] U.S. Bureau of Economic Analysis, Local Area Personal Income and Employment. September 15, 2011.

[8] See U.S. Department of Labor. October 2010. *What You Should Know About Your Retirement Plan.* "Federal law allows employers to include certain groups of employees and exclude others from a retirement plan. For example, your employer may sponsor one plan for salaried employees and another for union employees. Part-

time employees may be eligible if they work at least 1,000 hours per year, which is about 20 hours per week." http://www.dol.gov/ebsa/publications/wyskapr.html#chapter2

[9] The SIPP data offers a comprehensive listing of survey respondents' financial assets, including the value of their bank accounts, bonds and securities, savings bonds, stocks and mutual funds, life insurance policies, IRA/KEOGH accounts, DC accounts, real estate holdings, home equity and business equity. These estimates do not factor in the present cash value of projected Social Security or DB pension benefits. The retirement preparedness of households located in NY metropolitan areas, whose reference person is aged 50-64 is considered.

[10] These numbers were computed from the Fidelity Guaranteed Income Calculator, given interest rate conditions on June 1, 2015. For a single person household and for 'other' households, the annuity value was calculated for a hypothetical male in NY, who was born on June 1, 1947 (they were 64 at the time the sample was collected in 2011). These calculations are for a lifetime annuity without beneficiaries. However, for married couple households, the annuity value was calculated for a couple residing in NY, where one person is a male born on June 1, 1947, and the other person is a female born on June 1, 1947. These calculations are for a lifetime annuity where the survivor continues to receive 100% benefit, without beneficiaries.

[11] Liquid assets are defined as all assets except equity held in one's primary residence. This includes investments(money in checking accounts, bonds, securities, stocks, and funds), as well as the cash value of all life insurance policies, equity in other investments and the face value of any savings bonds owned), real estate holdings, mobile home values, retirement balances, and money owed from the sale of a business, less the debt owed on them.

[12] An individual's replacement rate is calculated by their annual post-retirement income as a percentage of annual earnings of the last year they worked.

[13] Palmer, B., DeStefano, R., Schachet, M., Paciero, J., and Bone, C. 2008. 2008 Replacement Ratio Study. Chicago, IL: Aon Consulting

[14] These numbers were computed from the AARP Retirement Calculator. For all three plans, we assumed a single male in NY, 57 years old, who annuitized all liquid assets in order to retire at age 65. The replacement rates shown are the smallest rates at which no shortfall exists.

National Conference on
Public Employee Retirement Systems
The Voice for Public Pensions

Written Testimony on Intro 692-A
A Bill to Address New York City's Retirement Crisis

by Hank Kim, Esq.
Executive Director and Counsel
National Conference on Public Employee Retirement Systems (NCPERS)

Submitted June 15, 2015

Introduction

Good morning. My name is Hank Kim and I am the Executive Director and Counsel of the National Conference on Public Employee Retirement Systems (NCPERS). I want to thank Chairperson Miller and the members of the City Council's Committee on Civil Service and Labor for this opportunity to testify on such an important issues and their leadership on retirement security. I would also like to thank New York City Comptroller Scott Stringer for taking a close look at the retirement security for private sector workers who currently lack a pension and for a convening a Study Group to look at the viability and technical aspects of a new pension system. The expertise and time of his staff is invaluable. I would also like to thank Public Advocate Leticia James for working to ensure that all stakeholders have a voice in the process and thinking through how to move the process forward from concept to implementation of a systems that ensures retirement security to for all working New Yorkers.

NCPERS is the largest trade association for public sector pension funds representing more than 500 funds, including all five of the City's funds, throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials, and investment, actuarial and legal professionals who collectively manage more than $3.7 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders. Further, NCPERS promotes retirement security for *all* workers through access to defined benefit pension plans.

In addition to serving as Executive Director and Counsel for NCPERS, I currently serve as Vice-Chair of the Fairfax County Uniform Retirement System, a $1.5 billion public employee retirement system providing pension coverage for the Fire & Rescue Department, Sheriff's Department, and certain other sworn employees of Fairfax, Virginia. Additionally, I serve as Treasurer of the National Institute on Retirement Security, a Washington, D.C. based think tank focusing on retirement security.

I am also on the board of the *Benefits Law Journal,* a quarterly law journal that for over 20 years has featured the most respected and accomplished employee benefits professionals who have shared their expertise. Each quarterly issue offers in-depth analysis of new legislation, regulations, case law, and current trends governing employee benefits: pension plans, welfare benefits, executive compensation, and tax and ERISA issues. Previously, I've served on the Morningstar Pension Endowments and Foundations Steering Committee and the City of Virginia Beach Mayor's Committee on Employee Pensions.

America's Retirement Crisis

The U.S. is facing a retirement crisis in the private sector. Today, there is a retirement savings deficit somewhere around $6.6 to $14.5 trillion. This retirement savings deficit is calculated by determining what 401(k) account holders should have in their accounts to maintain their standard of living in their retirement and comparing that with what they actually do have in their accounts. This is extremely troubling because as documented in our publication *The Secure Choice Pension: A Way Forward for Retirement Security in the Private Sector*, Social Security gets a typical retiree about one-third of the way towards a secure retirement. The remaining two-thirds must be made up from personal savings solely or in conjunction with an employer sponsored pension plan.

According to an analysis of New York City employer data that NCPERS has commissioned, the New York City metropolitan area has 3.9 million private sector workers who do not have access to an employer sponsored retirement savings program. An additional 663,000 New York private sector workers do not participate in their employers' retirement savings program. That puts the grand total of more than 4.5 million New Yorkers who are not saving adequately—if at all—for retirement.

The result is that there are generations of New Yorkers moving through their working years with little or no retirement savings and will have only Social Security to rely on. This lack of retirement income will impact individuals and the communities in which they reside. Nearly 90% of retirees stay in their communities. Without adequate income, these individuals will not be able to contribute to the tax base to pay for public services and may require income-support assistance. Appended to this written testimony are charts that delve further into New York City specific retirement security demographics.

Most acutely, the 78 million baby-boomers who are now at or nearing retirement may not have enough time left in the workforce to earn back what they have lost in retirement assets during the Great Recession. Our ability as a nation to sustain our economy at a time when a record number of workers are entering their retirement years should be an important part of our national debate. Retirement security for *all* Americans – whether they work in the public or private sector – must become a national priority.

A New Approach

The growing national debate over retirement security has forced many thought leaders and policymakers to take a fresh look at this growing crisis.

At NCPERS, this examination began in late 2010. We knew that not only was there a need for revitalization of pensions in the private sector, but there was a keen desire by working Americans for the type of retirement security that public sector employees have earned and enjoy. So for a year we embarked upon a journey to study what the next evolution of pensions for the private sector might be. We dubbed this exercise "pensions 2.0". We asked ourselves what a private sector pension would look like if it reflected the realities of the 21st Century. Namely the pension plan had to be flexible to reflect economic conditions, portable so that participants can carry it from job to job, simple to administer, and most importantly sustainable for not just the next 20 years but for the next 200 years.

Our answer is the Secure Choice Pension (SCP). The SCP is envisioned as a public-private partnership to provide retirement security for American workers, particularly those who work for small businesses, and who don't currently have a defined benefit pension. The plan draws on the documented performance and efficiencies of public sector pension management, and extends it to those in the private sector who face what is becoming a national retirement crisis. The concept is that the states – individually, or possibly in groups – would enact legislation to establish a state or regional SCP plan. SCPs would be multiple-employer hybrid defined benefit pension plans. Each SCP would have a board of trustees composed of state, private employer and private employee/retiree representatives. The board would hire a chief executive officer and administrative staff to administer the SCP. The board and staff would have fiduciary duty to the SCP plan and its participants.

Participation in the SCP would be voluntary. Contributions to the SCP would come ideally from both employers and employees. In our model plan the combined contribution is set at 6% of pay and would replace approximately one-third of average career salary at retirement. For participating employers, administrative and fiduciary duties would be largely removed and placed upon the board of trustees and administrator of the plan. The only real obligation and administrative task for employers would be to make their portion of the contribution – thus making participation in the SCP affordable and simple for private sector employers, in terms of both time and financial cost. While each SCP participant would have a participant account, all contributions to the SCP would be pooled and professionally invested to achieve economies of scale and to negotiate lower fees from investment firms hired by the SCP board.

The participant accounts would grow at an interest rate that the SCP board would set annually, but the SCP plan guarantees a minimum of three percent return. At retirement, employees participating in a SCP would be guaranteed an income for life – an income immune to stock market fluctuations and sudden economic downturns.

Once we had the SCP plan design and actuarial determined funding approach we developed rigorous modeling and stress tested the SCP concept to assess its performance. We believe that the SCP is the most detailed and tested public-private partnership pension concept available. It is in part for this reason that NCPERS has been asked to assist in developing and drafting state-based private sector retirement savings legislation.

Intro. 692-A

NCPERS wishes to congratulate the Public Advocate Ms. James, Council Members Miller Lancman and the bill's other sponsors for their leadership. The objective of this bill is to ultimately establish a city-based retirement security program and fund that would be available to all private sector workers in New York City. NCPERS supports the intent of this legislation. Establishing this type of fund would have many advantages for workers, businesses, and the city as a whole. Accounts would be pooled and centrally-managed, which will help keep fees low through economies of scale. If workers are automatically enrolled it would ensure high participation rates.

Regardless of what process is used to consider different mechanisms to ensure greater retirement security we recommend the following:

- First, a serious review be made of the Secure Choice Pension proposal outlined in this testimony. The SCP is the most rigorously tested proposal and can provide New York City the tool it needs to address the retirement crisis the City faces. A copy of the SCP Whitepaper has been included with this testimony.

- Second, consideration be made of establishing an ERISA plan. Unfortunately, there is too much misunderstanding in the public sector of what ERISA is and what ERISA is not; and confusion of two related—but separate—issues of ERISA preemption and ERISA protections afforded plan participants. We believe a New York City sponsored ERISA retirement plan, like the NCPERS Secure Choice Pension proposal, has many benefits for plan participants and would avoid many of the preemption, protection, and uniformity concerns raised by other state sponsored plans.

- Lastly, to help state and local policymakers get a better handle on ERISA and other facets related to state/local sponsored plans, NCPERS will host the State Initiatives on Retirement Security (SIRS) Symposium, a half day educational program focused exclusively on these issues August 6, 2015 in Seattle, Washington in conjunction with the National Conference on State Legislatures Legislative Summit. We encourage members of this body and other

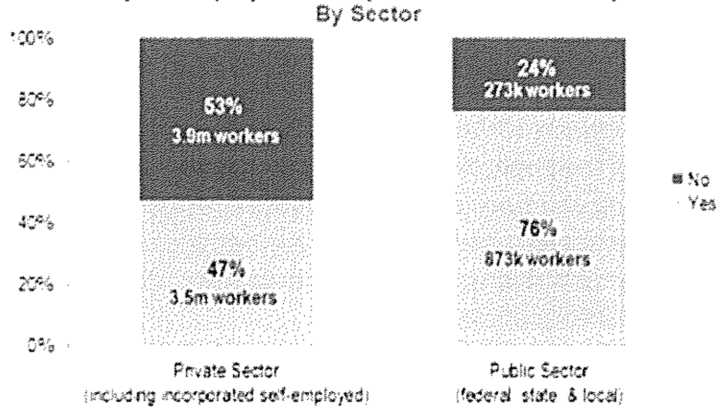
New York City policymakers involved in retirement security to attend our free symposium later this summer.

Conclusion

NCPERS wishes to thank the Committee for this opportunity to express our concerns about retirement security for all workers. We again congratulate Public Advocate. James and Council Members Miller and the bill's other sponsors for their leadership in this area. We believe that through this hearing, the leadership of the Public Advocate and the tireless work of the City's Comptroller that New York City is taking an important step towards addressing the retirement crisis our nation faces. NCPERS stands ready to assist state and local policymakers with facts, research, and expertise as they delve into policy discussions on retirement security. We invite this body to contact us should you need additional information.

Access to a Retirement Plan

WORKERS IN NEW YORK CITY METRO*
Does your employer offer a pension or retirement plan?
By Sector



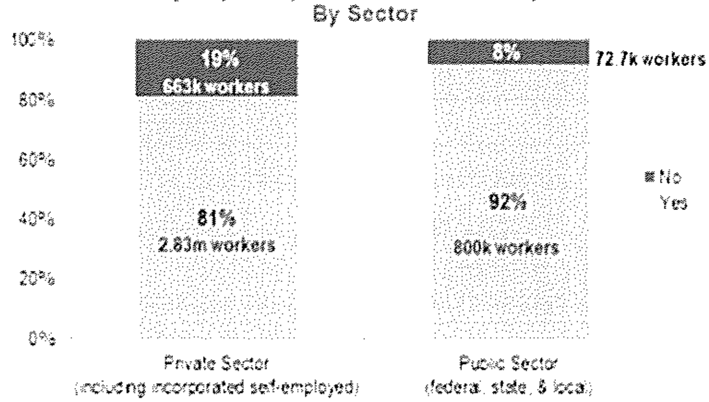
Almost 4 million private sector workers in the New York City metro area do not have access to an employer-sponsored retirement plan.

Source: Analysis of Current Population Survey, March 2014 Supplement
*Defined as the New York-Northern NJ-Long Island Metropolitan Area

SEGAL

Participation in a Retirement Plan

WORKERS IN NEW YORK CITY METRO*
Do you participate in the retirement plan?
By Sector

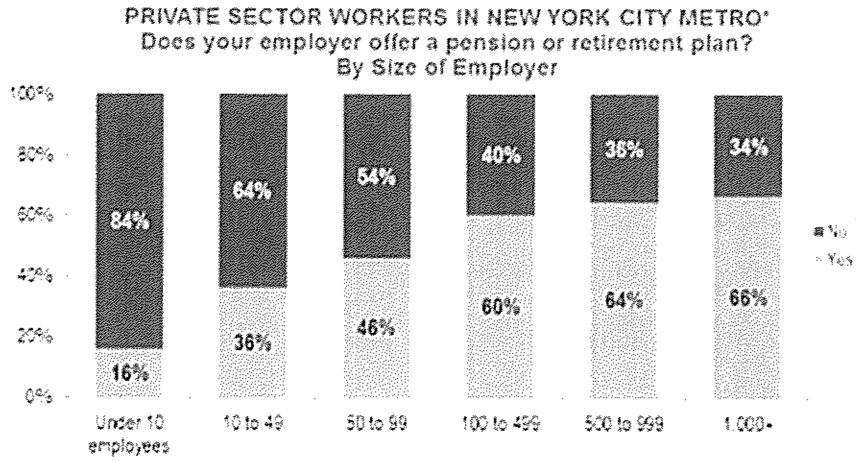


Another 663,000 private sector workers in NYC do not participate in their employer's retirement plan.

Source: Analysis of Current Population Survey, March 2014 Supplement
*Defined as the New York-Northern NJ-Long Island Metropolitan Area

SEGAL

Access to a Retirement Plan by Employer Size

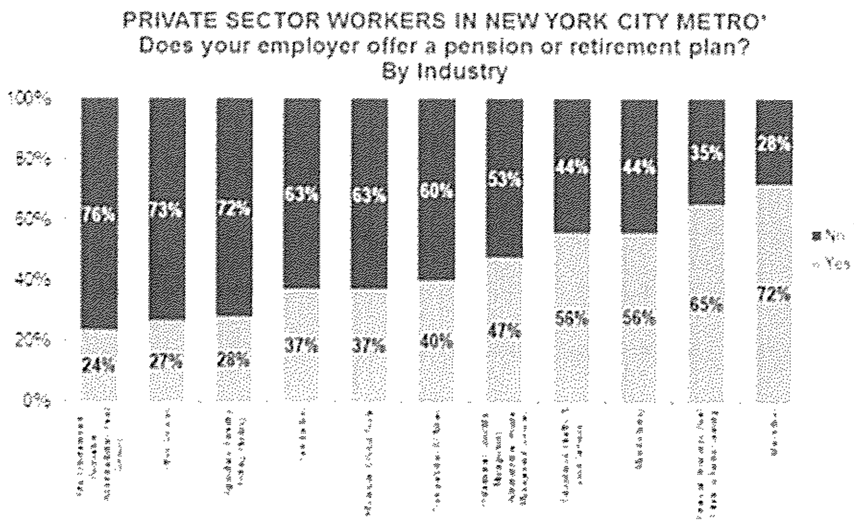


A majority of NYC private sector employees in smaller firms (<100 employees) say their employer does not offer a pension or retirement plan (2.55m people).

Source: Analysis of Current Population Survey, March 2014 Supplement
*Defined as the New York-Northern NJ-Long Island Metropolitan Area

SEGAL 2

Access to a Retirement Plan by Industry



Source: Analysis of Current Population Survey, March 2014 Supplement
*Defined as the New York-Northern NJ-Long Island Metropolitan Area

SEGAL 3

Testimony from Bill Samuels and EffectiveNY
Before the New York City Council's Civil Service & Labor Committee
In Support of Retirement Security for All (Intro No. 692-A)

On behalf of myself and the nonprofit government watchdog group and public policy think tank EffectiveNY, I respectfully submit this testimony in support of Intro No. 692-A, an important bill that will take us closer to achieving the critical goal of providing Retirement Security for All New Yorkers.

I feel particularly passionate about this legislation, having been an advocate since 2011 for the innovative approach to retirement security this bill advances. It is extremely satisfying to see an idea that was regarded only four years ago as practically utopian actually come to life and spark a nationwide movement to help mend our social safety net. I am grateful to Speaker Mark-Viverito, Chairman Miller and all of the members of this committee for what you have already done to make my dream and that of the many other people who have worked so long on this issue—many of whom are in this room today—come true.

We have worked so hard to pass Retirement Security for All—the name EffectiveNY has given to the bill before this committee—because it tackles of the one of the greatest challenges we face as a city, as a state and as a nation.

With approximately 60 percent of workers in the New York City metropolitan area lacking a retirement savings plan through their employer, it is clear that our city must take proactive steps to address the retirement security crisis we are up against. 85% of the self-employed—a rapidly growing segment of our city's workforce—have no retirement plan, and blacks, Hispanics, and the employees of small businesses are among the groups disproportionately afflicted by this key cause of income inequality.

A 2014 poll by Gallup found that not having enough money for retirement is the No. 1 financial concern of Americans, and there is ample legitimate reason for us to worry.

Most New Yorkers close to retirement age have less than $100,000 saved and 40 percent have less than $10,000 put aside. Nationally, one in five Americans nearing retirement has <u>zero dollars</u> in retirement savings, and in New York City, where retirement plan enrollment rates are lower than in the U.S. as a whole, the percentage of people with no savings is likely to be even higher.

All of us know that even $100,000 is not enough to survive on for the rest of one's life in New York City—let alone retire in dignity after a lifetime of hard work.

The experts, advocates and affected New Yorkers at today's hearing will provide you with numerous strong and meaningful reasons why you should support this bill. While I believe above all that the reason for you to vote in its favor is simple human decency, I thought it would be worth your while to speak to you in my capacity as a businessman.

For over five decades, I have worked for and run a multitude of companies, ranging from start-ups to a large public corporation listed on the NASDAQ exchange, which I served as chairman. Today, I own two small businesses—a tech company and a drug treatment and rehabilitation center—in addition to devoting my time to seeking innovative governmental solutions to New York's most pressing challenges as the founder of EffectiveNY.

Over the course of my career, we have seen tremendous changes for the worse in how businesses help provide for their employees' retirement. Many private sectors workers my age are fortunate enough to have a nest egg for our golden years thanks to the defined benefit plans we accrued—and now can look forward to our retirement years rather than dreading them.

Unfortunately, in the 1980s companies began a move away from DBAs to defined contribution plans, meaning that workers, rather than employers, had to shoulder the cost of their retirement. During his presidency, Ronald Reagan undermined DBAs by pushing 401(k)s as the primary income supplement to Social Security. In so doing he profoundly weakened the nation's social safety net, the consequences of which we see today in the current retirement security crisis.

While 401(k)s are certainly better than having no retirement plan whatsoever, their administrative costs detract from the very goal they are intended to achieve: saving.

According to a study by Demos, a two-earner household making the median income from age 25 to 65 who save 5% to 8%, with no employer match, will have to pay to the financial firms that manage their 401(k)s $154,000 more in fees over the years than they would if they were participating in a pooled retirement fund such as the one for which we are advocating today—a dramatic 30.3% difference between the total amount saved over the couple's lifetime.

As an employers who offers a 401(k) program to my employees, I can tell you with certainty that 401(k) plans are not just failing workers, but they are a strain on businesses as well, particularly small businesses.

401(k)s are costly and cumbersome to administer.

They require someone in the business with financial expertise spending a significant amount of time staying on top of them, which is a real drain of a small business where everyone's bandwidth is limited and so valuable.

And even for even sophisticated employers, it is very difficult to gauge how wisely and ethically the money is being invested by the firms that handle the accounts.

I totally understand why many small businesses, even those with the best of intentions to help their workers, are increasingly not offering 401(k) plans to their workers. For most small businesses, the amount of time and expertise necessary to do so, is a tremendous obstacle, if not an insurmountable hurdle.

And for many of these small business owners it's not just an issue of providing for their employees, it's also a matter of their own retirement. The owner of a mom and pop dry cleaner in Brooklyn who EffectiveNY spoke to said that he would love to offer a retirement plan to his workers, but he simply doesn't have the time or the money to figure out how to do so. He understands only too well the anxieties his workers are facing—he doesn't have a retirement plan either.

Tony, the dry cleaner owner, told EffectiveNY that he would be thrilled if the city offered a retirement plan that he and his workers could participate in at no cost to his business, simply by opening up his payroll system.

And Tony is not alone in feeling this way: a survey by NCPERS, the National Conference on Public Employee Retirement Systems, found that 82% of small businesses nationwide overwhelming support this type of new retirement plan.

If you ask Tony, he'll tell you that the addition of a city-run savings program would enable him to retain his workers for longer and help his employees work better by alleviating some of the emotional strain they experience worrying about having nothing or next to nothing in the bank when they reach retirement age. Until then, Tony, like so many other New Yorkers I have spoken with over the four years I've worked on this issue, half-joking describes his current retirement plan as "work 'til I die."

That's no way to live. Every New Yorker knows that Social Security alone falls far short of providing enough money for a person to survive in a city as expensive as this one. As bad as the outlook is for Baby Boomers, as AARP's recent studies have found, Millennials and Gen-Xers are staring down an even bleaker future if we don't do something as a society to rewrite it.

California and Illinois have already stepped up by approving a state-run savings program that extends the proven benefits of pooling enjoyed by public sector workers to their private sector employees.

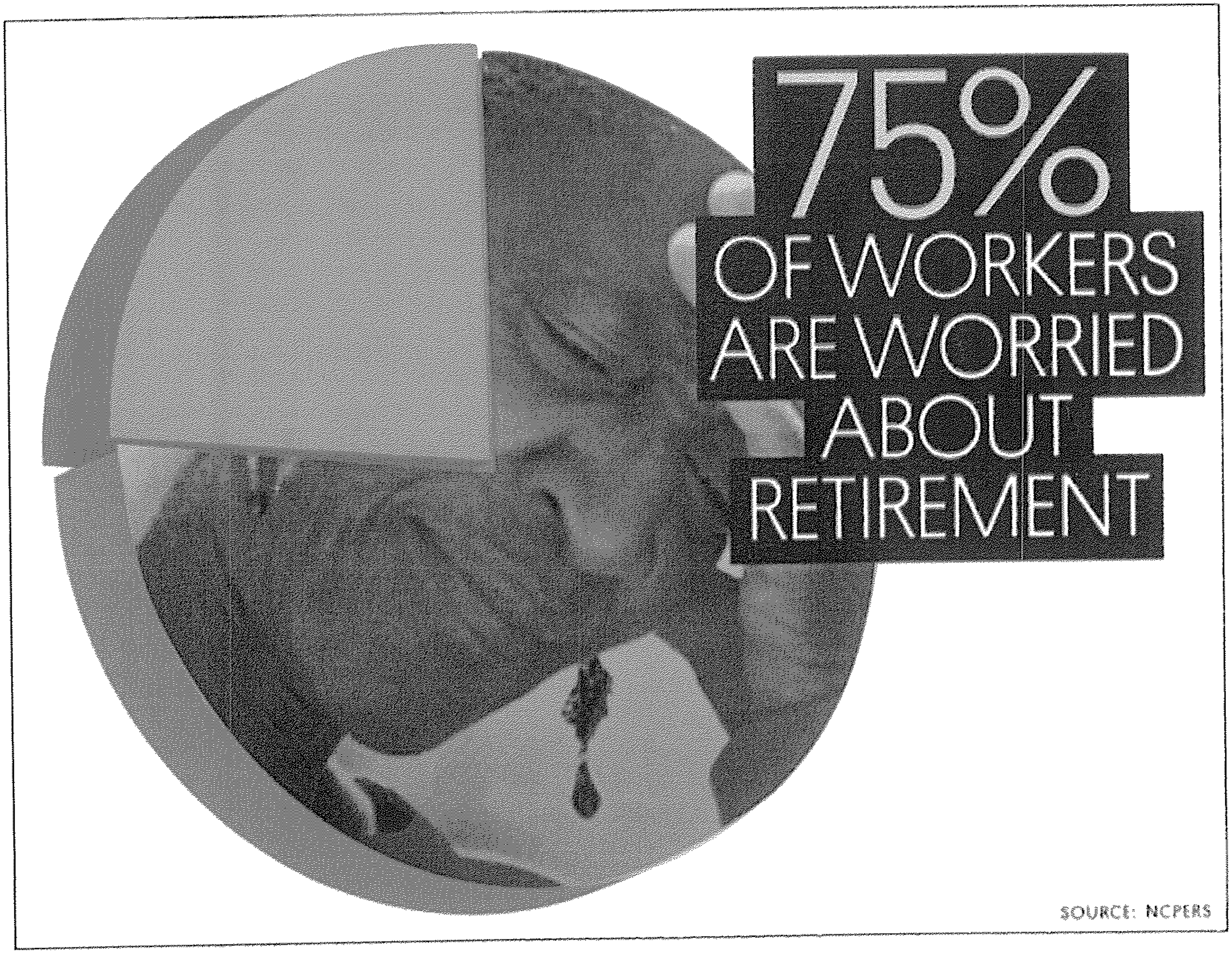
Oregon, the population of which is less than half of New York City's, just followed suit when last week a great bill in line with the objectives of Intro No. 692-A passed both houses of its state legislature.

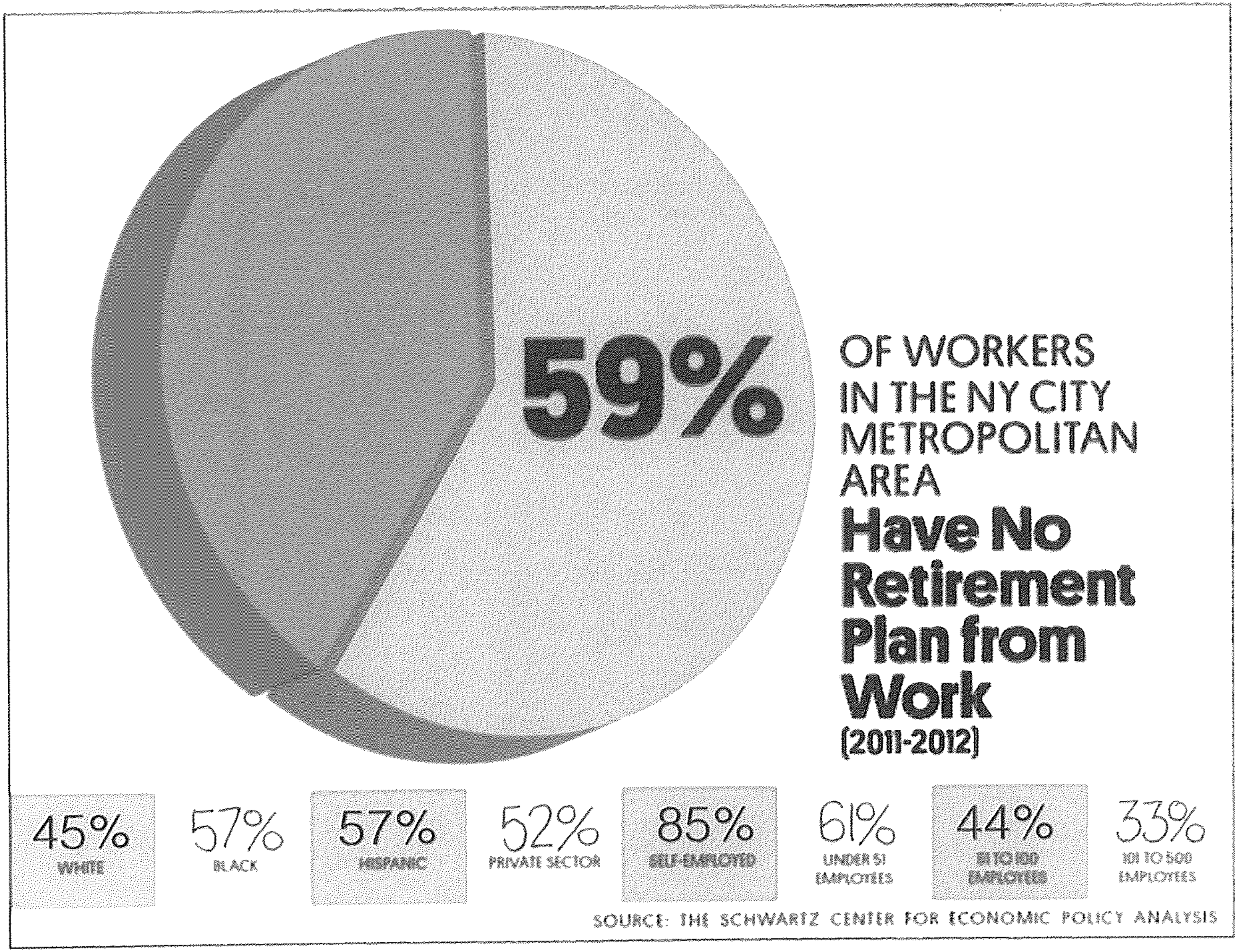
With the City Council's leadership, New York City can be the first city in the nation to afford this same great opportunity to all of its workers.

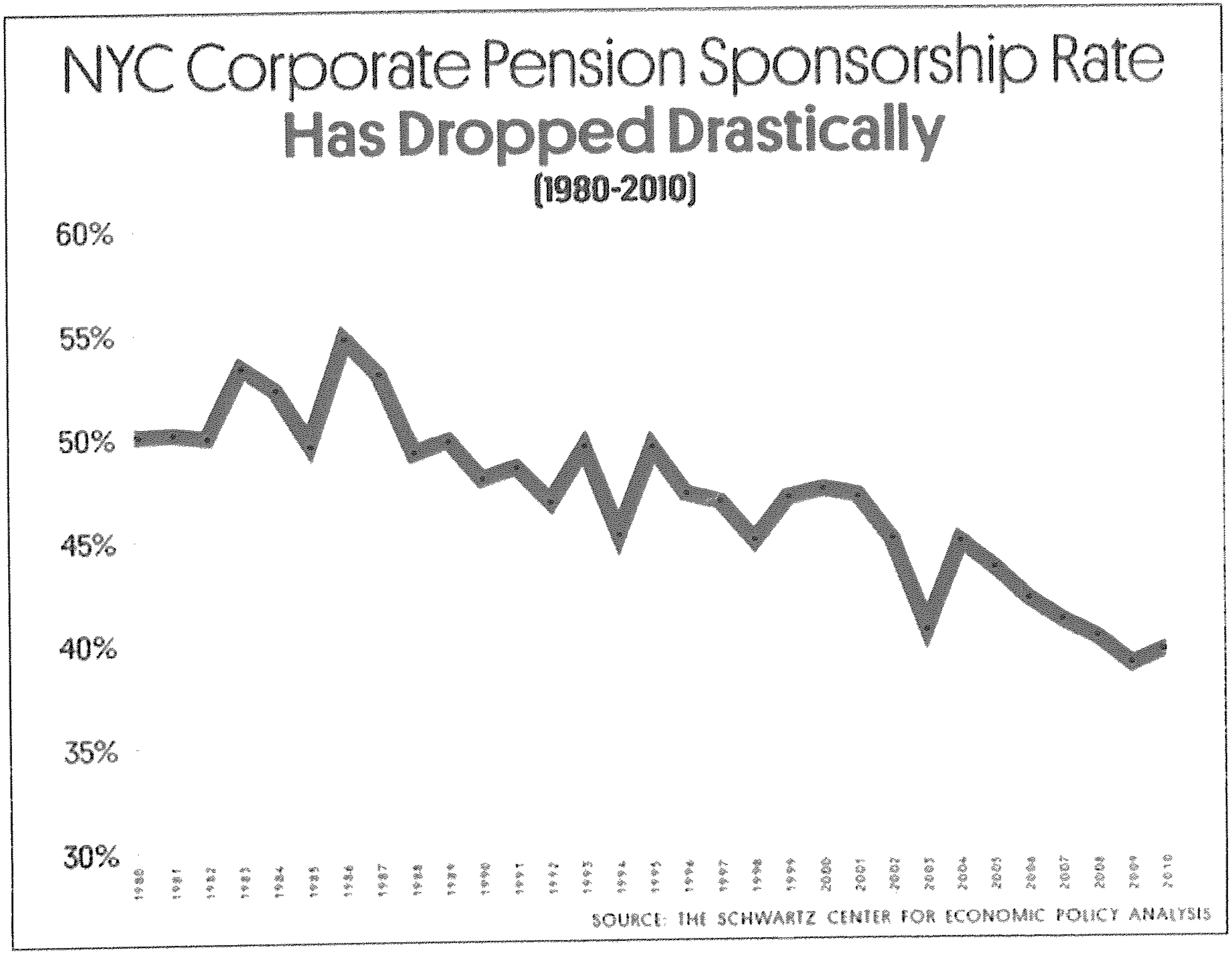
If we don't, it's going to cost us. As AARP's studies show, New Yorkers currently are planning to move out of the state in droves when they reach retirement, which will dramatically erode our tax base. And with millions of dollars less in tax revenue the city will have to pay many millions more in social costs to support those retirees who stay, because so many of them won't be able to afford to provide for themselves.

Intro No. 692-A is not just an opportunity for all New Yorkers to retire in dignity, it's good for business. Creating a city-run vehicle for private sector workers to help themselves while helping each other by leveraging their collective strength and investment is the epitome of a smart public-private partnership.

On behalf of EffectiveNY, I respectfully ask that the members of this committee vote in favor of Intro No. 692-A and in so doing take the first great step toward providing Retirement Security for All New Yorkers.

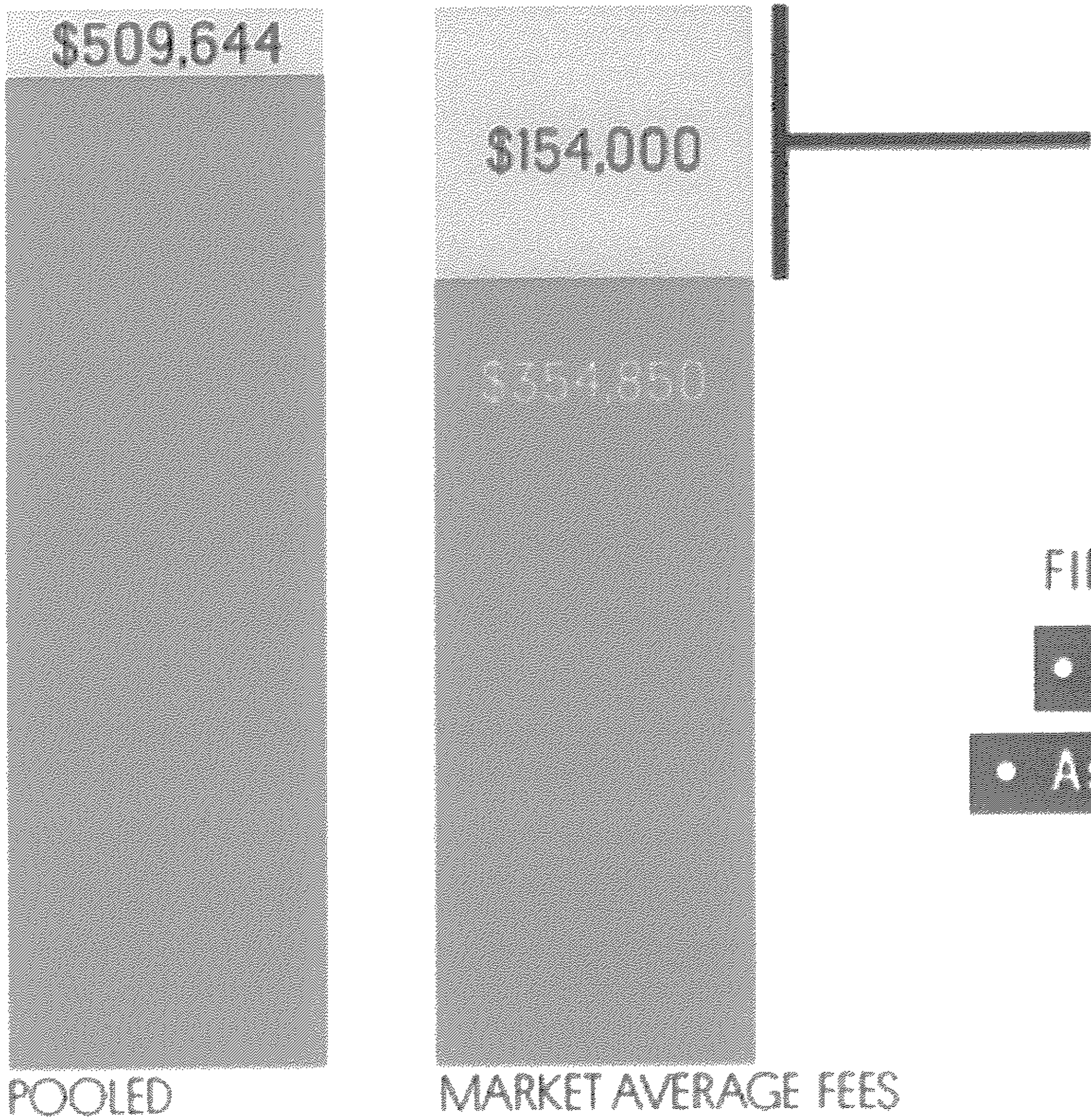

75%
OF WORKERS
ARE WORRIED
ABOUT
RETIREMENT
SOURCE: NCPERS


59%
OF WORKERS IN THE NY CITY METROPOLITAN AREA
Have No Retirement Plan from Work
(2011-2012)
45% WHITE
57% BLACK
57% HISPANIC
52% PRIVATE SECTOR
85% SELF-EMPLOYED
61% UNDER 51 EMPLOYEES
44% 51 TO 100 EMPLOYEES
33% 101 TO 500 EMPLOYEES
SOURCE: THE SCHWARTZ CENTER FOR ECONOMIC POLICY ANALYSIS


NYC Corporate Pension Sponsorship Rate
Has Dropped Drastically
(1980-2010)
60%
55%
50%
45%
40%
35%
30%
SOURCE: THE SCHWARTZ CENTER FOR ECONOMIC POLICY ANALYSIS

WORSE

401(k) fees are dramatically higher than pooled



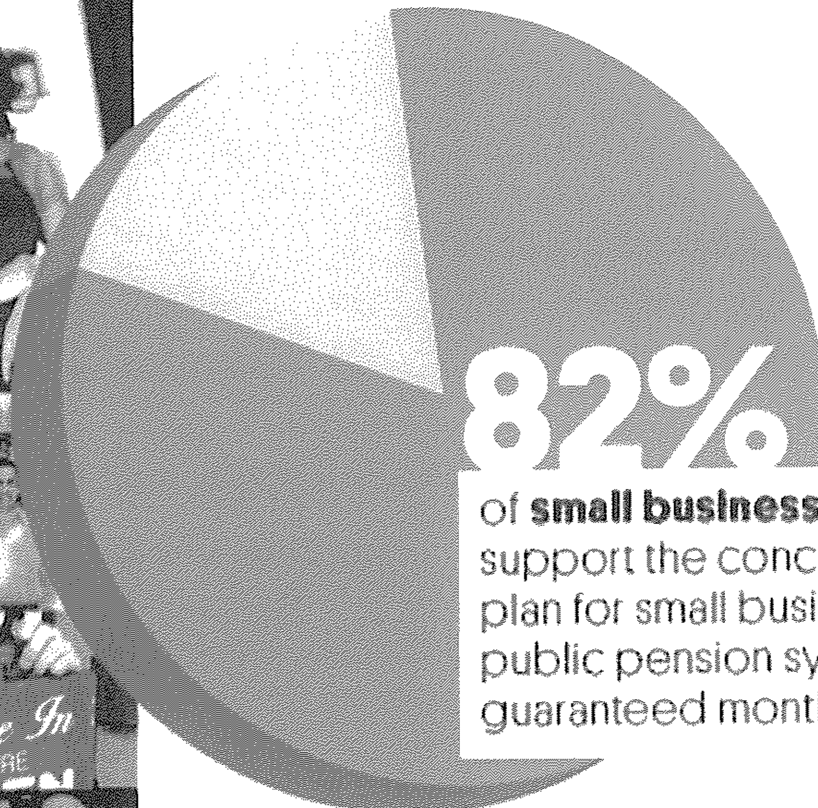
FINANCIAL FIRMS CHARGE:

- Administrative Fees
- Asset Management Fees
- Marketing Fees
- Trading Fees

Based on "two-earners household earning median income from age 25 to 65, investing 5% to 8% as they age, with no employer match."

SOURCE: DEMOS FEE MODEL ESTIMATES

THE **BUSINESS COMMUNITY** SUPPORTS RETIREMENT SECURITY

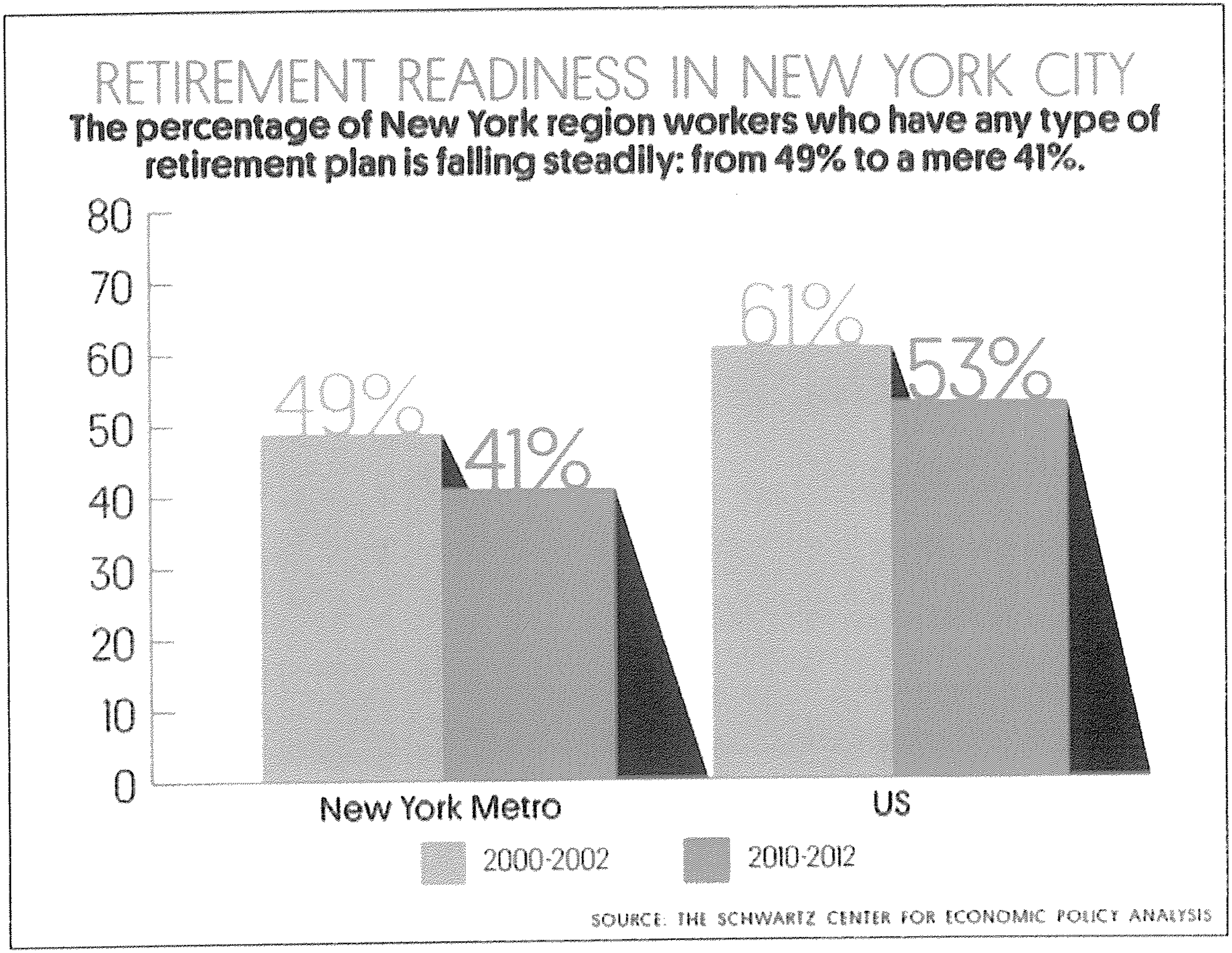


82%

of **small business owners** overwhelmingly support the concept of a new retirement plan for small businesses modeled on the public pension sytem that would offer a guaranteed monthly pension benefit

&

they agree that offering a retirement benefit **helps to recruit and retain good employees**


RETIREMENT READINESS IN NEW YORK CITY
The percentage of New York region workers who have any type of retirement plan is falling steadily: from 49% to a mere 41%.
80
70
60
50
40
30
20
10
0
49%
41%
61%
53%
New York Metro
US
2000-2002
2010-2012
SOURCE: THE SCHWARTZ CENTER FOR ECONOMIC POLICY ANALYSIS

Statement of

Dr. Sewin Chan, Associate Professor of Public Policy, Robert F. Wagner School of Public Service, New York University

to the

New York City Council, Committee on Civil Service and Labor

June 23, 2015

Thank you for inviting me to speak today. I am an economist who studies economic and financial risks faced by households, and I have published research on pensions and retirement behavior. I served on the U.S. Department of Labor's ERISA Advisory Council for 3 years under Secretary Hilda Solis, and I have been a New York City resident for over 25 years.

I commend you for bringing the issue of retirement security for all New Yorkers to the forefront. Today, I will outline 3 key issues that should be considered in deciding on a retirement security program for New York City.

1). Automatic enrollment

There is universal agreement among economists that auto-enrollment, with the ability to opt out, will drastically increase enrollment rates. The research on this cannot be more clear: if people have to actively enroll into a saving plan, chances are they won't. But if the default is that they are enrolled, they mostly won't bother to opt out, and so end up with retirement savings. This is why auto-enrollment into 401(k) plans is now considered a best practice by employers that offer these plans.

It is also why auto-enrollment is a feature of virtually all the proposals for the kind of retirement security program that is under consideration here. For example, the state of Illinois recently adopted an auto-IRA requirement to be implemented in 2017. They mandated that employers with at least 25 workers and without pension plans must auto-enroll employees into an IRA with direct payroll deposits. Workers can opt out, but the default is that they contribute 3% of their pay. It is extremely important when designing any kind of saving mechanism to incorporate the auto-enrollment feature.

2). Simplicity

In my opinion, simplicity should be the most important aspect of any plan you consider. There are existing tax-advantaged retirement savings vehicles available. People can already enroll in IRAs by themselves by going to almost any financial institution including banks, mutual fund companies and brokerage firms. Or, they can use Treasury's *my*RA, which is designed as a starter retirement savings account for people with low earnings.[1] It's not like trying to buy health insurance on your own before the Affordable Care Act, when preexisting conditions might lock you out of the market – people can already get into good plans on their own.

But, they don't, because it's complicated and intimidating, particularly for people with low levels of financial literacy or limited English literacy. There are lots of steps involved: picking a vendor, comparing fees, choosing specific investments among hundreds of possibilities, figuring out how to make regular

[1] https://myra.gov

deposits, and so on. Thinking about the population that you are trying to serve, it has to be as simple and as easy as possible.

It is important to make it simple for employers as well. The upfront financial cost of starting a 401(k) plan is actually quite small, however, it can be a daunting task for an employer to navigate the process.

Simplicity also means, don't try to reinvent the wheel. Use existing structures as much as possible, and don't try to operate your own fund because most actively managed funds have poorer performance records and higher expenses than passive index funds. There is substantial academic and industry documentation of this fact.[2]

Further, Wall Street thrives on complexity. We saw this throughout the financial crisis when financial instruments were created that no one understood. And we have also seen it recently with the billions of dollars that the City's five public-employee pension funds paid for in investment management that wasn't worth it.[3] If you can't understand it, they can squeeze out every last penny. By making everything as simple as possible, you make it easier to minimize transactions costs because there won't be additional places for charges to hide.

3). The risk-return tradeoff

Any investment or saving vehicle will involve a tradeoff between risk and return. If you want people to experience investment returns that will allow a decent retirement, then they must bear some risk of losing capital, or the City has to be willing to incur that risk for them. No risk for anyone is impossible if you want the savings to grow, because a risk-free rate of return at the moment is close to zero.

The criteria noted in the bill only mention risk, but not return. For younger workers, return will be more important as they have a longer time horizon. One simple way to balance risk and return is to use a suite of target date funds. In such funds, people's savings are automatically readjusted towards safer assets as they approach retirement age. Under auto-enrollment, people are typically invested into a specific target date fund depending on their birth year. For example, a fund for people born in 1990 (who are age 25 now) would be heavily weighted towards stocks, whereas a fund for people born in 1955 (who are age 60 now) would hold less risky assets. Over time, the 1990 fund would become more conservative as the enrollees age.

So to sum up, the three key issues are: auto-enrollment, simplicity, and a balancing of risk versus return.

In closing, I would like to suggest that if the Review Board is established, it should include at least one economist with similar expertise as the Comptroller's Study Group members. Economists have done a great deal of research on these issues, including specifically, how people actually make choices when faced with different options. And they have done this for the most part in an impartial way.

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[2] This article is a good introduction: http://www.nytimes.com/2015/04/05/your-money/measure-for-measure-index-funds-rule.html

[3] https://comptroller.nyc.gov/newsroom/comptroller-stringer-billions-in-pension-fund-fees-paid-to-wall-street-have-failed-to-provide-value-to-taxpayers/

Testimony on

Retirement Readiness in New York City:

Proposed Int. No. 692-A - In relation to the establishment of a retirement security review board.

Oral Testimony by Teresa Ghilarducci
Bernard L. and Irene Schwartz Professor of Economics
Director, Schwartz Center For Economic Policy Analysis (SCEPA)
New School for Social Research

Committee on Civil Service and Labor
Tuesday, June 23, 2015 at 10:00 a.m.
Committee Room, City Hall, New York, NY

Honorable City Council Members and Public Advocate Letitia James I am Teresa Ghilarducci, professor of economics at the New School for Social Research. I am also a member of City Comptroller Scott Stringer's Retirement Security Technical Study Group, but I am not speaking today in that capacity. I am reporting the findings our research at the Schwartz Center for Economic Research at The New School that the retirement security of working New Yorkers is being jeopardized by the dominance of unstable 401(k) - type plans and the lack of workplace retirement accounts for most working New Yorkers.

The high risk of very low incomes for people turning 65 in the next ten years speaks to two truths: the numbers of elderly are increasing rapidly – five hundred people per day in New York are turning 65 in the next ten years. And, two retirement assets for working people have eroded even in the wake of a supposed economic recovery. We estimate about 1.3 million retirees will be living in New York on very low incomes by 2027 -- subsisting on $9 for food and $700 for rent.

Most New Yorkers – almost all except the 481,000 households in the top fifth of the income distribution -- will be worse off than their parents or grandparents in old age. And since people face higher medical costs and care needs as they approach their 70s and 80s; a low income 65-year-old faces an even higher risk of poverty over their life course.

One solution is that New York City should consider implementing a retirement plan for its private sector workers and transforming retirement deductions to refundable tax credits. More and better pensions in the form of secure, low fee, prefunded, individual "Social Security Add-On Accounts" give seniors more choices and creates incentives for employers to raise wages and improve working conditions. City and state budgets get relief when they don't have to pay for aid to poor seniors. Secure, low cost, and partially funded by refundable tax credits retirement accounts are "a three-fer." A win for older labor markets, a win for seniors, a win for city and state budgets and secure neighborhoods. This solution is a win-win.

Quick facts:

- In 2012, 11% of NY older workers (50-64) had incomes below 150% of the poverty line. When they reach 65, because of low or no retirement assets, about 29% of them will be impoverished.

- In 2012, there were 2 million older workers (age 50-64) in New York; 147,000 of them were poor or near poor. We predict that if these 2 million people annuitize their assets and collect Social Security at age 65 the number of poor or near poor among them will increase from 147,000 to 403,000.
- Most New Yorkers –except the 481,000 households in the top 23% of the income distribution -- will be worse off than their parents or grandparents in old age. And since people face higher medical costs and care needs as they approach their 70s and 80s; a low income 65-year-old faces an even higher risk of poverty over their life course.
- New Yorkers are less prepared for retirement in 2012 than they were in the wake of the Great Recession in 2009.
    - More than half of households with older heads of households near retirement age (50-64 years old, working and not) had liquid assets of less than $100,000. These older households will likely subsist almost entirely on Social Security income in retirement or will not be able to retire at all.
    - The majority of New York City households without an employer-sponsored retirement plan have less than $1,000 in liquid assets to finance retirement.
    - The median level of liquid assets for workers who participate in workplace retirement plans decreased by almost 50 percent mostly because of investment losses, which declined in value by 62 percent. Retirement accounts declined in value by 17 percent in the same period from 2009 to 2012.

All workers save best when saving at work. The reason is simple. The workplace has the unique ability to apply deductions to one's paycheck, making saving a simple and automatic process. Modern societies across the world depend on the convenience and affordability of employer-sponsored retirement plans and universal Social Security plans.

Fewer than half of New York residents have access to any retirement plan at work which is much worse than the rest of the nation.

- Only 43 percent of New York City workers were offered a retirement plan at work. Sponsorship rates in New York City remain significantly below the national average (54 percent), and have declined from a peak of 55 percent in 1986.
- Nearly two-thirds of New York City residents (over 3 million people) did not participate in employer-sponsored retirement plans in 2012, largely because their employer did not offer one. Over 1.8 million residents worked at firms which did not offer an employer-sponsored retirement plan, and an additional 200,000 workers were sponsored by a plan but did not participate. Finally, 1.2 million were not working in 2012 and, by definition, did not participate in an employer-sponsored plan.

In NY State metropolitan areas where 17 million people in New York state live, the number of poor and near poor 65-year-olds will increase significantly in the next 10 years. In 2012, out of 3.2 million 65 year olds, approximately 900,000 had incomes less than 150% of the federal poverty level. Starting in 2013, an additional 30,000 **per year** will become poor or near poor when they retire. An increase of over 50 percent.

Dēmos

AN EQUAL SAY AND AN
EQUAL CHANCE FOR ALL

Testimony Supporting Intro No. 692-A: "In Relation to the Establishment of a Retirement Security Review Board"

Robbie Hiltonsmith
Senior Policy Analyst, Dēmos
June 23, 2015

Thank you, Public Advocate James and members of the Committee on Civil Service and Labor for the opportunity to testify today. My name is Robbie Hiltonsmith, senior policy analyst at Dēmos, a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy. I am happy to be here today to testify in support of Intro No. 692-A, because it will put New York City on the path to addressing the city's retirement security crisis.

And this crisis is grave indeed: just 41 percent of New York City workers have access to a workplace retirement plan, much lower than the national figure of 60 percent. However, even those New Yorkers who are saving for retirement are at risk at well. This is because most private-sector workers in the city who have a workplace retirement plan are covered only by a 401(k)-type plan. These plans place all of the risk of saving for retirement on workers, exposing them to the possibility of losing their savings in a stock market plunge or of outliving their retirement savings, among others. The inadequacies of 401(k)s are already showing: nationwide, 40 percent of families ages 55 to 64 had nothing saved for retirement as of 2013, and 70 percent had less than $100,000 in retirement savings.[1] One of major reasons why is because of the 401(k) itself: the risks borne by savers and the high fees charged by many of these plans combine to render the 401(k) unsuitable to be New York City workers' primary supplement to Social Security in retirement.

During the last stock market plunge, exposure to market risk caused 401(k)s and IRAs to lose a total of $2 trillion, forcing many to postpone or rethink retirement. Rising life expectancies have put more workers are at risk of outliving their retirement savings, in part because 401(k)s force individuals to estimate their post-retirement life expectancies, a morbid and nearly impossible proposition for most savers. Leakage from 401(k)s and IRAs through pre-retirement hardship withdrawals and job-change cashouts sapped approximately $104 billion from working Americans' retirement accounts in 2010, offsetting nearly 40 percent of all contributions to such accounts.[2] Finally, savers also the risk contributing too little to their retirement accounts over the course of their working lifetime, largely because they're either not earning enough, don't trust 401(k)s or financial markets, or simply don't have the financial literacy to navigate the incredibly complex world of individualized retirement savings. This risk is clearly shown through contribution rates by race; Latinos and African-Americans, who have lower average incomes and trust financial markets less, contribute much less than average.

The variety of fees charged by the funds available in 401(k) plans also significantly hinder workers' efforts to save for retirement. Because these fees—including administrative, investment management, marketing, and trading fees—are largely paid through a fund's expense ratio, they are deducted before returns are credited to savers' accounts, and thus remain hidden to most. However, their costs can be substantial, costing savers 1 percent or more of their assets per year, particularly if they are invested in actively-managed funds instead of lower-cost index funds. Over a lifetime, these fees can add up to a significant chunk of workers' savings. According to Demos estimates, for an average two-earner household that saves steadily through its working life, these costs can add up to nearly $155,000 in fees and lost returns by retirement, effectively reducing the size of their nest egg by 25 percent.[3]

This litany of risks and fees makes a convincing case that the 401(k)-based "do-it-yourself-retirement" is a failure. All hardworking New Yorkers need a retirement account like that proposed by this bill: one that would be simple, secure, portable, and low-fee. Creating such an account would help millions of New York retirees avoid poverty or a decline in their living standards, and I hope the committee will give the bill the utmost consideration.

[1] Bricker et al (2014), "Changes in U.S. Family Finances from 2010 to 2013: Evidence from the Survey of Consumer Finances," Federal Reserve Bulletin, vol. 100, pp. A1–A41.

[2] Robert Argento, Victoria L. Bryant, and John Sabelhaus (2015), "Early Withdrawals from Retirement Accounts during the Great Recession," *Contemporary Economic Policy* 33, no. 1: 1–16.

[3] Robbie Hiltonsmith (2012), "The Retirement Savings Drain: The Hidden and Excessive Costs of 401(k)s." Demos.

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FOR THE RECORD

NEW YORK CITY COMMITTEE ON CIVIL SERVICE AND LABOR

HEARING ON

INT. NO. 692 – A LOCAL LAW IN RELATION TO THE ESTABLISHMENT OF A RETIREMENT SECURITY REVIEW BOARD

June 23, 2015

The Securities Industry and Financial Markets Association (SIFMA)[1] is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving retail clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. In New York City, the securities industry employs 167,100 people (accounting for 1 in 9 of all New York City jobs) and many of our members work daily to provide a wide range of extensive services to those saving for retirement, including advisory services and investment opportunities. We are writing today to express our interest in the retirement security study proposed in Int. 692, and offer our wealth of expertise on in the area of retirement planning.

There can be no doubt that there is a savings challenge in this country. Individuals need to save more for retirement and need to better understand the importance of early savings, as well as the benefits of compounding interest, diversification, and not accessing retirement savings accounts for other purposes.

We applaud Public Advocate James for her leadership on this issue and genuinely hope to work closely with all interested parties in working to develop a proposal that will rise to meet the retirement challenge in front of us today.

As the Council considers its options to act in this space, we encourage you to consider the following: (1) The extensive provider market and retirement products already in place in New York City; (2) the release of the Federal MyRA program; (3) The cost and liabilities any plan might place on the City and/or its businesses.

1. Current Provider Market in New York

   The market for retirement savings products in New York is robust and highly competitive, with a wide range of products and services offered by a variety of New York City residents, including brokers, mutual funds, insurance companies, banks and credit unions.

   With more than 160,000 individuals in New York City working directly in the securities industry, our member firms provide numerous fairly priced retirement savings options. These options include 401(k), 403(b), 401(a), and 457(b) plans as well as SIMPLE, SEP and traditional and Roth IRAs.

   As such, we heartily recommend that the City Council investigate options that harness the strength of the City's financial services industry.

[1] For more information, visit http://www.sifma.org.

·w York | Washington
0 Broadway, 35th Floor | New York, NY 10271-0080 | P: 212.313.1200 | F: 212.313.1301
/w.sifma.org

2. MyRA.

In December 2014, after an extensive research and development process, President Obama and the Department of the Treasury launched a new federal retirement program specifically designed for those who are not offered a retirement plan at work, as well as others who want to jump start their retirement savings. The MyRA program (www.myRA.treasury.gov) is a simple, safe, voluntary way for employees with access to direct deposit to save for retirement. Registration takes only 15 minutes and eligible employees can begin saving right away.

Specifically, the MyRA program provides all the tax benefits of a Roth IRA, is fully portable, requires no employer contribution, is provided with no fees to the saver, and fully guarantees all employee contributions. We would encourage you to fully evaluate the potential of this new federal program and consider the role it may play in any retirement savings solution.

3. Costs and Liabilities

We would also urge the Council to be mindful of the costs and liabilities (to the City, its businesses, and its potential retirement savers) of any proposed retirement solution. A number of States throughout the country have already studied certain proposed solutions, and the costs can differ greatly. For example, Washington State estimates that it will cost around $500k to establish a retirement marketplace similar to the new health exchanges, but a full public sector plan could cost up to $20M or more in two-year start-up costs.

Similarly, a number of State proposals have raised concerns about the applicability of the Employee Retirement Income Security Act of 1974 (ERISA). This Act, which ensures strong protections for retirement savers in all private-sector offerings (and is particularly important in protecting traditionally vulnerable groups, such as women and children), also carries a number of compliance obligations. The applicability of ERISA has been a heavily contested issue surrounding most state plans, as it has far-reaching consequences that could well determine the future success of any retirement savings initiative. In fact, the Washington State Marketplace is the only proposal that would provide the full range of ERISA protections to all enrollees, while simultaneously insulating the State, taxpayers, and the business community from ERISA's liabilities and obligations.

We look forward to the opportunity to work with the City Council, Public Advocate James, and any other interested parties in developing an initiative to confront the City's retirement savings challenge head-on. If there is any way we can be of service, please contact SIFMA's local counsel, Mike Keogh at 212-431-4748 or Keogh@boltonstjohns.com, or Nancy Lancia of SIFMA at 212-313-1233 or nlancia@sifma.org.

Testimony of Henry Garrido,

Executive Director of District Council 37

Before the

Committee on Civil Service and Labor

RE: Proposed Int. No. 692-A – In Relation to the establishment of a Retirement Security Review Board

June 23, 2015

Good Morning. My name is Raymond Santander. I'm Assistant Director of Research and Negotiations for District Council 37, New York City's largest municipal employee union. I'm here today on behalf of Executive Director Henry Garrido, who unfortunately could not be here this morning and sends his regrets.

Mr. Garrido wishes to express DC 37's strong support for this bill, which would establish a retirement security review board that will assess the feasibility of establishing a retirement security program and fund for private sector workers.

The time to establish a retirement security program for private sector workers in New York City is long overdue. Only a fraction of private sector workers have a traditional defined benefit plan and many private sector workers either contribute to high-fee 401-K plans or have no retirement savings vehicle at all. The idea of establishing a retirement security program for private sector workers first gained traction in California with the passage of the Secure Choice Retirement Savings Program and it is time to seriously study such a program for New York City's millions of private sector workers.

District Council 37, with 100,000 active members and over 50,000 retirees, is a trustee of NYCERS – the New York City Employees Retirement System. As a NYCERS Trustee, DC 37 deals on a continual basis with retirement matters and works with the Comptroller's staff and the other system Trustees to assure adequate funding for the pension system so that benefits will be available for current and future retirees.

At DC 37, we know full well how important retirement security is for our members. Without their modest pensions, many of our retirees would lead lives of poverty. The average DC 37 retiree has about a $19,000 per year pension which, with Social Security, give them retirement income of about $31,000 per year, barely enough to make ends meet.

While our members at least have a modest pension and other retirement benefits to help live a retirement with dignity, the overwhelming majority of private sector workers no longer have a traditional defined benefit pension must rely on expensive, high-fee 401-K plans as a primary retirement vehicle, whatever savings they have and social security, which replaces only a small fraction of a workers' wages. Other workers, lacking even a 401-K, have no retirement savings vehicle at all.

The result of the virtual elimination of defined benefit plans in the private sector and their substitution with high-cost, inadequately funded 401-K plans is the rapid growth of retirees and those expected to retire in the next decade (the Baby Boomers) with inadequate retirement income. This trend will have enormous consequences for this City and for society as a whole. Given these very important issues we welcome this Bill as a way to promote serious discussion surrounding retirement security and to examining carefully the best options for enhancing security for our fellow workers in the private sector.

We strongly believe the work of this board will be essential in advancing retirement security here in New York. One of the ways to proceed in crafting a retirement vehicle for private workers in New York is to adapt features of the California Secure Choice Retirement Savings Program that would allow individual workers to have portable accounts that would be invested alongside public pension money. The retirement funds of public sector employees enjoy the advantages of low fees, exposure to different asset categories, diversification of risk, and access to the best financial managers. Allowing private sector workers to invest alongside public pension funds would provide them many of these same advantages and low fees would allow for more rapid growth of their retirement capital.

However, before we can proceed with such a retirement plan in New York, we must begin to study the issue, speak to experts in the field and gain input from the many stakeholders involved. Based on our long experience in retirement security and pension matters – DC 37 sits on multiple pension boards as well as the City's $15 billion Deferred Compensation Plan -- we support whole-heartedly the creation of this board and would look forward to being a part of its work.

This Board and the recommendations it stands to make can be transformative to the lives of literally millions of workers in this great city. We reiterate our strong support for this Bill.

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AARP Real Possibilities in

New York City

AARP New York City

Testimony before the Committee on Finance NYC Council

June 23, 2015

City Hall
New York, NY

Introduction

Good morning, My name Chris Widelo. I am AARP's Associate State Director for New York City Advocacy. AARP is a membership organization that represents Americans 50 and older. We have over 2.5 million members in New York State and about 750,000 members living in New York City.

Thank you for the invitation to speak and provide comments on Proposed Int. No. 692-A by our Public Advocate Leticia James and Council Members Miller, Lancman, Kallos, Eugene, Rose and Rosenthal to establish a Retirement Security Review Board. I would like to submit the following testimony and emphasize what AARP believes is a significant retirement savings problem facing New Yorkers.

Background.

The numbers that are referenced by the sponsors in the legislative findings section of the bill are cause for concern. By 2035 there could be more than 644,500 retired senior New Yorkers living on less than $540 a week, rising to 709,000 by 2040. Most New Yorkers close to retirement age have less than $100,000 saved – hardly enough for retirement in this day and age; 40 percent have less than $10,000 put aside.

AARP has undertaken significant research in the area of retirement security and has found both state and national statistics also indicate a troubling retirement savings problem across our state and country. Attached please find an AARP Public Policy Brief on workforce retirement plans that clearly shows a lack of access to employer-sponsored plans for people to save for retirement – a critical vehicle to encourage savings. As you know, this issue affects many people, but our national research revealed substantially different impacts by race and ethnicity: About two in three Hispanic workers and roughly half of African-Americans and Asian Americans lack access to an employer-provided retirement plan. Minorities accounted for about 41 percent (22 million) of the 55 million employees without a workplace retirement plan. Additional data points concerning race and retirement savings are also attached.

Looking at statewide numbers here in New York, the retirement savings picture does not change much:

- The average 401(k) account balance in New York is $30,881.
- 53.9% of private workers, or over 3.6 million, are not offered a workplace retirement plan through their employer.
- Less than half (45.2%) of private sector workers are participating in a workplace retirement plan.
- The average annual Social Security benefit in New York for a retiree is $15,500.

Solutions

AARP believes there is no downside for city or state government to assess the current and future retirement situation of its residents and identify any possible solution that might exist. I would like to take this opportunity to provide you with AARP's policy in this area that we are advancing not only in New York State but across the country.

First, we know from AARP research that workers are 15 times more likely to save for retirement if their employer offers a plan. It's critical that we encourage people to plan and save for retirement and ensure they can easily do so. The more people save their own money for retirement, the more likely they will remain financially independent and not reliant on public assistance. AARP believes the best way to encourage people to put their own money away is through a workplace retirement savings plan, which we call "Work and Save." Simply having access to a retirement plan at work increases savings rates by a staggering 1,300 percent.

AARP's basic guiding principles for a Work and Save program are as follows:
Promote Financial Freedom: Social Security alone isn't enough. Work and Save accounts make it easier for workers to accumulate the savings they will need for a secure and independent retirement.

Give Americans a Choice: Accounts are voluntary. It's up to employees to decide if they want to participate.

Give Employees Control: Accounts are portable. When employees switch jobs, they can take their Work and Save accounts with them.

Save Taxpayer Dollars: Giving employees a simple way to save for retirement will mean fewer people will need to rely on government safety net services, saving taxpayer dollars.

No Risk: A Work and Save Plan would be easy for employers to set up, and there would be no ongoing costs or risk to the employers.

AARP believes Work and Save plans benefit all parties. They benefit businesses by allowing them to offer competitive benefits to their employees through retirement savings options. They benefit taxpayers because there are no ongoing government costs, and with more people able to save for retirement, fewer will be in need of taxpayer-funded services. Last but not least, they benefit employees by offering a choice – the employees can decide if they want to contribute, and how much, and they can take their savings plan from job to job.

Conclusion

Again thank you for the opportunity to speak today. Encouraging and creating access to retirement saving accounts is clearly an important issue. AARP believes if millions of people here in our city and state do not save enough to be self-sufficient in retirement, undoubtedly many will turn to government for safety net services, which we all know could be a very costly proposition for all taxpayers. We need our government to help facilitate retirement savings for people, very similar to how government helps people save for college costs through the state's 529 plan.

AARP strongly believes we must develop public policy to help people live independently and with dignity in their homes and communities as long as possible, as the vast majority want to do. Policy that encourages retirement savings would certainly advance this goal.

Thank you.

NEW YORK CITY
CENTRAL LABOR COUNCIL AFL-CIO

President
VINCENT ALVAREZ

Secretary-Treasurer
JANELLA T. HINDS

NYC CLC AFL-CIO Working...for all New Yorkers

Testimony of the New York City Central Labor Council, AFL-CIO

New York City Council Committee on Civil Service and Labor

June 23, 2015

The New York City Central Labor Council, AFL-CIO, representing 1.3 million workers across 300 affiliated unions, firmly believes there is a retirement crisis in the City of New York. Currently, 59% of New Yorkers have no retirement plan[1] . The forty-year breakdown in collective bargaining has left many workers incapable of funding their own retirement, and many employers unwilling to bare the future responsibility for current workers.

Preparing to retire is most analogous to a three-legged stool. The 'stool' of retirement security is balanced by the legs of Social Security, savings, and a retirement plan. Sadly, 44% of New Yorkers have less than $10,000 in savings; that is equivalent to 2,136,922 households in the City of New York[2] . Taken in conjunction with the lack of retirement coverage, many residents will only have their Social Security check to live on, which is on average $1,294 a month—significantly less than necessary to subside in the five boroughs[3].

A lack of retirement security means a future New York where more of the City's elderly residents live in poverty. Without adequate retirement savings, many seniors will need to rely on their families and government support, dampening effective demand, and forcing the government to allocate greater resources to social service programs, rather than investing in infrastructure, education, and economic development. The crisis of retirement security will only perpetuate the pressure on the 'sandwich' generation of workers with both elderly parents and children.

Retirement security is a slow-moving, quiet crisis. Without working people having the resources and protections to collectively bargain and build wealth, many will not be prepared for old age. Fundamentally, the solution to retirement insecurity is collective bargaining. The Central Labor Council supports a broad discussion on retirement, and supports retirement security for all workers.

1 Joelle Saad-Lessler, Teresa Ghilarducci, Kate Bahn, "Retirement Readiness in New York City: Trends in Plan Sponsorship, Participation and Income Security", Schwartz Center for Economic Policy Analysis, April 2, 2014. http://www.economicpolicyresearch.org/images/Retirement_Project/NY_Retirement_Readiness_Figures.pdf. Page 1.
2 See Above Source (Page 6).
3 Social Security Administration, http://www.ssa.gov/news/press/basicfact.html

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I intend to appear and speak on Int. No. 692-A Res. No. ______

☑ in favor ☐ in opposition

Date: ______

(PLEASE PRINT)

Name: Chris Widelo

Address: ______

I represent: AARP NYC

Address: 780 3rd Ave

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Address: 125 Barclay Street NY, NY 10007

I represent: District Council 37, AFSCME, AFL-CIO

Address: 125 Barclay Street

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Name: Reuben Traile

Address: 365 W. 28th St #2C

I represent: New York Communities for Change

Address: 1 Metrotech North 11th floor

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Name: Jose Hernandez

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Name: Sewin Chan

Address: 2 Washington Sq. Vlg. NY 10012

I represent: NYU

Address: ________

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THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 692A Res. No. ________
☒ in favor ☐ in opposition

Date: 6-23-15

(PLEASE PRINT)

Name: JAMES PARROTT

Address: 11 Park Place NYC

I represent: FISCAL POLICY INSTITUTE

Address: ________

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 692 Res. No. 4
☑ in favor ☐ in opposition

Date: 6/23/15

(PLEASE PRINT)

Name: Robbie Hiltansmith
Address: 220 5th Ave, New York, NY 10001
I represent: Demos
Address: Same

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6/23/15

(PLEASE PRINT)

Name: Teresa Ghilarducci
Address: 6 E 16th street, NY NY 10003
I represent: Schwartz Center for Economic Policy analysis
Address:

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THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 692-A Res. No. ______
☑ in favor ☐ in opposition

Date: 6/23/15

(PLEASE PRINT)

Name: Bill Samuels
Address: 22 E. 18th St. 4th Fl.
I represent: EffectiveNY
Address: 267 5th Ave. Suite 800

Please complete this card and return to the Sergeant-at-Arms

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THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. 314-A Res. No. ______
☐ in favor ☐ in opposition

Date: 6/23/15

(PLEASE PRINT)

Name: Mel Aaronson

Address: 52 B'way, NY

I represent: UFT

Address: ______

Please complete this card and return to the Sergeant-at-Arms

THE COUNCIL
THE CITY OF NEW YORK

Appearance Card

I intend to appear and speak on Int. No. ______ Res. No. ______
☐ in favor ☐ in opposition

Date: 6/23/15

(PLEASE PRINT)

Name: Hank Kim

Address: 444 N. Capitol St NW Suite 630 wash DC 20001

I represent: Natl Conf on Public Employee Retirement Systems

Address: ______

Please complete this card and return to the Sergeant-at-Arms