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Testimony Regarding H.B. 5591, An Act Creating the Connecticut Retirement Security Program

Good Afternoon Senator Gomes, Representative Tercyak and Respected Members of the Labor and Public Employees Committee,

My name is Erica Dean and I am a Policy Analyst at the Connecticut Association for Human Services (CAHS). We are a statewide, nonprofit agency that works to reduce poverty and promote economic success in both policy and program work for low-income populations.

Today, we are here to support H.B. 5591. This bill seeks to create a retirement program, similar to a 401(k), for private sector employees who are not offered this option through their employers.

- **A statewide Retirement Security Program (RSP) will allow those WITHOUT a college degree to be better prepared for the future**

Nationwide in 2013, families approaching retirement age whose head of household reported a high school education or less did not have retirement savings¹. For those enrolled in an RSP, workers with a college degree reported higher account balances in comparison to those with some college or a high school diploma. These educational differences are also echoed within our state - about 70% of individuals lacking a high-school degree do not have the option to participate in an employer-provided RSP. Furthermore, families headed by college graduates have more than three times as much saved (\$95,000) in comparison to a family headed by someone with a high school diploma/GED (\$30,000), which is twice as much as the typical family headed by someone without a high school diploma/GED (\$14,700)¹.

- **A statewide RSP will decrease disparity between poor and wealthy**

In 2013, 50% of workers between the ages of 25 and 64 were not covered by an RSP¹. This statistic suggests that many individuals will not be financially sound in retirement. Even more critical is that those in the bottom 25% of the income distribution will be forced to depend on Social Security and have little to no income streaming from personal retirement plans². Nationwide, participation (and ability to participate) in RSP's is highly unequal across income groups. Nearly 9 out of 10 families in the top 1/5th of the income bracket have RSP's (retirement savings plans), while fewer than 1 in 10 families in the bottom 1/5th participate in an RSP's³. Though it is normal for higher-income families to have more savings, it is a policy failure that a majority of those in the bottom ½ of the income distribution have no

¹ Lessler-Sadd, J., Ghilarducci, T., Bahn, K., Bonen, A., & Schmitz, L. (2013). Are Connecticut workers ready for retirement? Trends in plan sponsorship, participation, and preparedness. *Schwartz Center for Economic Policy Analysis, The New School*. Retrieved from: http://www.economicpolicyresearch.org/images/docs/research/retirement_security/Connecticut%20Retirement%20Readiness%20Report%20FINAL.pdf.

² Ibid.

³ Morrissey, M. (2016). The state of American retirement: How 401(k)s have failed most American workers. *Economic Policy Institute*. Retrieved from: <http://www.epi.org/publication/retirement-in-america/>.

retirement savings AT ALL⁴. We do know that low-income populations want to save money for their future. This past year in Connecticut, a higher percentage (18%) of individuals making between \$25,000 - \$40,000/year were enrolled in an employer-offered retirement savings plan in comparison to those who made between \$40,001 and \$60,000/year (12.2%).

- **Implementation of an RSP will decrease racial disparity**

Caucasian employees, in 2013, had almost \$100,000 more in savings (or 5x as much wealth) than their African American counterparts (versus \$34,400 in 1989)^{5,6}. Only 41% of black families and 26% of Hispanic families have retirement funds, compared to 65% of white non-Hispanic families. Even among minorities who are close to retirement age (56 – 61 years), a majority have no savings. For those lucky enough to be enrolled in an RSP, account balance differences are very large – the mean balance of working-age households of color (about \$31,600) is less than 1/3 that of white households (\$111,700)⁷. The ability to enroll in RSP's also differs substantially by race and ethnicity in Connecticut - about 61% of Hispanic workers and 46% of African Americans are employed by agencies that do not provide this option⁸.

In closing, Connecticut's proposed RSP guarantees universal availability and does so in a way that has little to no direct cost to the state or to businesses. Creating this program will allow us to become a nationwide model that improves economic mobility and reduces wealth disparity⁹.

⁴ Ibid.

⁵ Morrissey, M. (2016, February 18). White workers have nearly five times as much wealth in retirement accounts as black workers. *Economic Policy Institute*. Retrieved from <http://www.epi.org/publication/white-workers-have-nearly-five-times-as-much-wealth-in-retirement-accounts-as-black-workers/>.

⁶ Morrissey, M., & Sabadish, N. (2013). The retirement inequality chartbook. *Economic Policy Institute*. Retrieved from: <http://www.epi.org/publication/retirement-inequality-chartbook/>.

⁷ Rhee, N. (2013). Race and retirement insecurity in the United States. *National Institute on Retirement Security*. Retrieved from: http://www.giaging.org/documents/NIRS_Report_12-10-13.pdf.

⁸ John, D., & Koenig, G. (2015). Workplace retirement plans will help workers build economic security. *AARP Public Policy Institute*. Retrieved from: <http://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-connecticut-fact-sheet.pdf>.

⁹ Ghilarducci, T., & Pavlakis, A. (2016). The states of reform. *Schwartz Center for Economic Policy Analysis, The New School*. Retrieved from: http://www.economicpolicyresearch.org/images/docs/research/retirement_security/2016-1_The_states_of_Reform.pdf.