



Council 4 AFSCME
Testimony before the Labor and Public Employees Committee of the
Connecticut General Assembly
March 11, 2014

Senator Holder-Winfield, Representative Tercyak and members of the Labor Committee. My name is Matthew Brokman and I'm a representative of Council 4 AFSCME. Our union represents 32,000 workers across Connecticut.

I'm here to testify in support of **SB 249: An Act Promoting Retirement Savings.**

First, we'd like to thank Majority Leader Martin Looney and Majority Leader Joe Aresimowicz for the continued attention they have brought to this issue. And thank the committee for raising this bill again.

Retirement security was built on the three-legged stool: Social Security, Defined-Benefit Pension, and Personal Savings. And our economy was built around the idea that after a lifetime of work, you would have enough assets to maintain your quality of living during your golden years.

The vast majority of our union membership in Connecticut is fortunate enough to have defined-benefit pensions, largely because we're there to fight for them at the bargaining table. Those pensions ensure that after a long work career, workers have the ability to live in dignity, to enjoy family, to deal with unexpected expenses.

In terms of policy, defined-benefit pensions are one of the best anti-poverty tools. According to the National Institute on Retirement Security, among the current nationwide retiree population, we've seen:

- 4.7 million fewer poor and near-poor households
- 460,000 fewer households that experienced a food insecurity hardship
- 500,000 fewer households that experienced a shelter hardship
- 510,000 fewer households that experienced a health care hardship

In 2010, governments spent about \$7.9 billion dollars less on public assistance to older households because of their defined-benefit pension income.

However, as workers are increasingly moved from defined-benefit pensions to more risky retirement savings plans like a 401(k) or dropped from employer-sponsored retirement plans altogether, we are about to see these benefits of pensions disappear, meaning more elderly at risk of being in poverty and increasing public assistance costs.

In fact, we are first beginning to see the effects of that shift here in Connecticut- over the past 8 years, according to data compiled by OFA, state assistance to low-income elderly has gone up by over \$20 million. That number does not include federal funds or municipal services.

The Center for Retirement Research at Boston College estimates that 53% of American workers 30 and older are “at risk” to have insufficient assets for retirement when they reach 65. In 1983, only 31% were at risk. Furthermore, the Center also estimates that our “retirement income deficit” is \$6.6 trillion – that’s the difference from what workers needed to save in order to retire comfortably and what they actually managed to save.

Part of the problem is lack of access to low-cost retirement plans. A 2013 study from The New School’s Schwartz Center for Economic Policy Analysis (SCEPA) documents a downward trend in both employer sponsorship of retirement plans and employee participation rates in Connecticut from 1998 to 2012, making it increasingly difficult for workers to prepare for retirement.

In 2010, 50% of Connecticut’s workers – 740,000 residents – were not participating in an employer-provided retirement plan. The lack of access to retirement plans is falling for workers in almost all demographic and economic categories, including those nearing retirement and young workers, as well as those with middle and high income levels. The decline in employer sponsorship affects low wage workers – as coverage declined from 46% to 31% over a ten year period. The study is attached to my testimony.

According the Commission on Aging, a disproportionate share of older residents is living just above the poverty line but without sufficient resources for economic self-sufficiency. This is likely because Social Security, which is supposed to keep retirees above the poverty-line, was meant as only one leg of a three-legged stool, with pensions and savings forming the other two.

Passing SB 249 would go a long way toward rebuilding that stool.

Thank you. I’ll be happy to answer any questions.