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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). CAHS is a statewide, nonprofit agency that works to reduce poverty and promote economic success through both policy work at the Capitol and program work in low-income communities.

Today, we are here to support H.B. 5591.

- **A statewide 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 had no savings in retirement accounts¹. For those enrolled in an RSP, workers with a college degree reported higher median account balances in comparison to those with some college or a high school diploma. These educational differences are also echoed within the state of Connecticut - about 70% of individuals lacking a high-school degree do not have the option to participate in an employer-provided retirement plan. Furthermore, families with retirement savings whose head has a college degree or higher 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 was twice as much as the typical family headed by someone without a high school diploma or GED (\$14,700) in 2013¹.

- **Implementation of an RSP will decrease the disparity between poor and wealthy**

In 2013, 50% of workers between the ages of 25 and 64 were not covered by an employer-sponsored retirement plan¹. This trend poses a serious threat to currently employed individuals' future ability to be financially sound once they retire. 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. In 2013, nearly 9 in 10 families in the top income bracket had RSP's (retirement savings plans), while fewer than 1 in 10 families in the bottom 1/5th had 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

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/>.

the bottom ½ of the income distribution have no retirement savings AT ALL⁴. It is important to note that low-income populations DO want to save money for retirement. This past year in Connecticut, a higher percentage (18%) of individuals making between \$25,000 - \$40,000/yr were enrolled in an employer-offered retirement savings plan in comparison to those who made between \$40,001 and \$60,000/yr (12.2%).

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

In 2013, white workers 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 those close to retirement age (56 – 61 years), a majority of black and Hispanic workers have no savings. Among 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 not offered this option⁸.

In closing, Connecticut's plan is more progressive than any other state in the nation because its overall reach will be significant and closely approaches universal availability – creating this program will allow us to become a nationwide model that will improve economic mobility and reduce 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.