



**AARP New York**

**Testimony before the  
Joint Legislative Budget Committee  
Senate Finance and Assembly Ways and Means**

**Local Government Officials/General  
Government**

**February 5, 2018**

**Legislative Office Building  
Albany, New York**

## **Introduction**

Good afternoon Senator Young, Assemblymember Weinstein, and members of the Committee. I am Beth Finkel, and I am the State Director for AARP New York. AARP is a social mission organization with over 2.6 million members in New York State. I would like to submit the following testimony regarding the General Government portion of the Executive Budget.

My statement will focus on a critical issue to help ensure the financial security of New Yorkers: increasing access to retirement savings programs.

## **Access to Retirement Savings Programs**

AARP supports the Governor's Executive Budget proposal to create the New York State Secure Choice Savings Program, a voluntary-enrollment payroll deduction Roth IRA to be administered by the Deferred Compensation Board. This program would be available to private businesses that do not currently offer a retirement savings plan to their employees and would like to do so.

This proposal is similar to one championed by Senator Savino and Assemblymember Rodriguez, which has received broad bipartisan, bicameral support.

More than 3.5 million private sector workers in New York State have no access to a retirement savings account through their employer<sup>1</sup>. That means more than half of the private sector workforce has no way to build their financial future at work, even though workers are 15 times more likely to save for retirement if their employer offers a plan<sup>2</sup>. That's why it is vital that all workers in the state have access to payroll deduction plans.

The probability of having a workplace retirement plan also differs considerably by workers' earnings level, education, and race and ethnicity. About 67 percent of Hispanic

---

<sup>1</sup> <http://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-new-york-fact-sheet.pdf>

<sup>2</sup> <http://blog.aarp.org/2014/06/24/greater-saving-can-increase-retirement-security-and-economic-growth>

workers, about 52 percent of African Americans, and 60.5 percent of Asian Americans lacked access to an employer-provided retirement plan. People of color accounted for about 47 percent (1,649,000) of the roughly 3,507,000 employees without a workplace retirement plan<sup>3</sup>.

While most New Yorkers aged 50-plus retire with incomes that do not sufficiently cover their expenses, New Yorkers of color are worse off in retirement. White 50-plus New Yorkers' retirement incomes are double that of African American/Black, Asian American Pacific Islander, and Hispanic/Latino New Yorkers. The majority of New Yorkers of color retire with incomes near the poverty threshold, with limited ability to cover their basic needs, not to mention save money or build other assets.

According to the U.S. Government Accountability Office, 52 percent of households age 55 and older have no retirement savings, and Social Security provides most of the retirement income for about half of households age 65 and older. The average annual Social Security benefit in New York State is \$15,580 according to the Social Security Administration. Additionally, while the majority of older New Yorkers of color rely heavily on Social Security income, because benefit levels are tied to earnings and New Yorkers of color generally earn less money than their white counterparts, there are striking racial and ethnic disparities concerning Social Security income.<sup>4</sup>

Clearly, something must be done to bridge the gap that has been created by fundamental changes in our economy.

New York State can help New Yorkers save for their future through Secure Choice, which would be voluntary for the employer and the employee. Through a highly-effective automatic enrollment option that has been shown to result in a participation rate of around 90 percent, employees will be contributing to their own Roth IRA. This provides

---

<sup>3</sup> <http://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-new-york-fact-sheet.pdf>

<sup>4</sup> <https://states.aarp.org/disrupting-racial-ethnic-disparities/>

a convenient way for people to save on the job and continue saving if they change jobs. This program gives employees control over their own financial future – they choose if they want to contribute, and how much they will contribute. In a recent survey of New Yorkers aged 50-plus, 77% said they favor the creation of such a savings program<sup>5</sup>.

It is a cost-effective solution for businesses owners, many of whom want to offer such a benefit to their employees but find it too costly or burdensome to administer on their own. In 2017, AARP surveyed small business owners who do not offer a retirement savings plan to their employees. Of those surveyed, 84% agree that lawmakers should support a state retirement savings option. After hearing the details of the Secure Choice program, 73% of business owners said they would be likely to offer retirement savings to their employees<sup>6</sup>.

Not only does Secure Choice offer a safe, portable investment option for people who lack a way to save through their place of employment, it would not rely on any ongoing state costs. Further, by making it easier for more people to save for retirement, fewer will be in need of taxpayer-funded services down the line.

Access to workplace retirement plans are diminishing while the 65-plus population continues to grow rapidly. Based on an AARP analysis of U.S. Census Bureau data, more than 500 New York State residents are expected to turn 65 every day in the coming years. In 2010, one in seven New York residents were aged 65 and older; by 2035 it is projected to be nearly one in five.

AARP believes the enactment of Secure Choice is one of the most effective ways to ensure that all New Yorkers have the tools they need to be financially secure in their retirement. AARP urges the Legislature to include Part X of the Public Protection and

---

<sup>5</sup> [http://www.aarp.org/content/dam/aarp/research/surveys\\_statistics/general/2014/2014-State-of-the-50-Plus-in-New-York-State-AARP-res-gen.pdf](http://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2014/2014-State-of-the-50-Plus-in-New-York-State-AARP-res-gen.pdf)

<sup>6</sup> [https://www.aarp.org/content/dam/aarp/research/surveys\\_statistics/econ/2016/2016-ny-sbo-1-pager-res-econ.pdf](https://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2016/2016-ny-sbo-1-pager-res-econ.pdf)

General Government Executive Budget into the final state budget to establish the Secure Choice Savings Program.

**Conclusion**

Thank you again for allowing AARP to testify regarding the General Government portion of the New York State budget. Secure Choice is critical to allowing older New Yorkers to be financially secure and independent in their retirement, and we hope to see this enacted in this budget cycle.