

Testimony of

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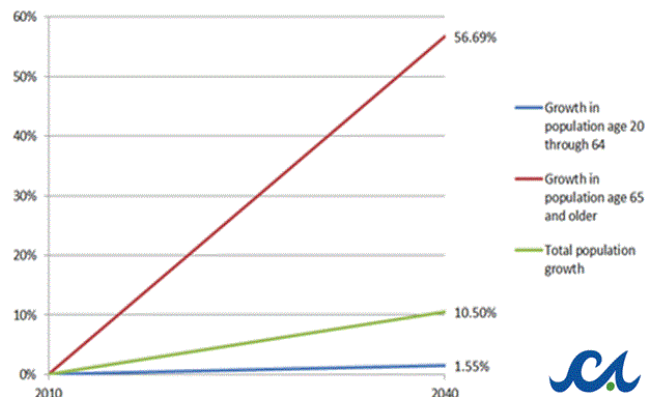
Retirement Security Board
November 19, 2014

Comptroller Lembo, Treasurer Nappier and members of the Retirement Security Board, my name is Julia Evans Starr and I am the Executive Director for Connecticut's Legislative Commission on Aging. I thank you for this opportunity to comment on this planning process.

Connecticut's Legislative Commission on Aging is the non-partisan public policy office of the General Assembly devoted to preparing Connecticut for a significantly changed demographic and enhancing the lives of the present and future generations of older adults. For over twenty years, the Legislative Commission on Aging has served as an effective leader in statewide efforts to promote choice, independence and dignity for Connecticut's older adults and persons with disabilities. In doing so and as part of our charge we dedicate efforts to ensure economic security of older adults.

As you know, the population in Connecticut, across the country and around the globe is aging dramatically. Connecticut is the 7th oldest state in the nation and home to almost 1 million baby boomers. Between 2010 and 2040 our 65+ population will increase by 57% while our population age 21 to 64 years of age will increase by just 1.5%.

Baby boomers are an introduction of what will be a permanent state representing a remarkable shift. At the same time people are experiencing unprecedented longevity. (In illustration Connecticut is home to approximately 900 centenarians, people 100 years of age and older.)

**Projected Population Growth in Connecticut from 2010 to 2040.**

This figure was created and information calculated by Connecticut's Legislative Commission on Aging with population projections provided by the University of Virginia Weldon Cooper Center for Public Service (from 2010 U.S. Census Data).

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When Social Security was enacted in 1935 the average life expectancy was 62 years of age, three years less than retirement age. Today we can expect to live 15-20 years beyond the retirement age.

Social Security has proven to be a tremendous success story resulting in only 10% older adult population living below poverty line. Without Social Security that number would be closer to 50% below the poverty line. Still, it is important to note that the average Social Security benefit is \$15,000 per year.

Further, in 2009, CT's Legislative Commission on Aging partnered with the Permanent Commission on the Status of Women and Wider Opportunities for Women, Inc. to measure the economic security of older adults in Connecticut. According to Connecticut's Elder Economic Security Index, the average Social Security benefit leaves a single renter approximately \$12,000 below the amount needed for economic security in Connecticut.

Social security, with private pension, and personal savings had been the proverbial 3 legged stool for financial security in the "golden years". Today - Social Security is facing actuarial and policy threats, traditional pensions are disappearing from the private workforce and personal savings are low. A recent study found that 1/3 people in our country between 45 and 54 had saved nothing specifically for retirement. Additionally, data for the Long-Term Care Needs Assessment shows that 40% of people in Connecticut have saved nothing for their future long-term services and supports needs and another 20% have said they can only afford \$10,000 toward the needs. This, of course, means that most people will not be able to afford their care needs and will end up needing to utilize Medicaid.

New models rely less on defined benefit (traditional pensions) and more on defined contribution such as 401Ks. Many workers now find themselves without access to any kind of workplace retirement plan. According to the Schwartz Center for Economic Policy Analysis, employer sponsored retirement plans in CT fell from 66% in 2000 to 59% in 2010 with only 50% of workers utilizing them. Downward trends are significant for workers across all age and race demographics and economic categories with low-income workers at the lowest level of opportunity.

We are encouraged by the passage of the enabling legislation that formed this board and look forward to the design a forward-thinking solution which addresses the growing problem facing older adults of today and potential crisis for older adults of tomorrow. The market feasibility study is an important first step in this process.

Specific to this request for comment, we believe the plan should be low cost, low risk and stable allowing for a guaranteed rate of return for participants. Therefore, the plan should invest in stable and reliable assets that will not lead to sudden drop in and potential loss of income (as happened to many in 2008).

Easy access to participation, accessible to all workers and at all income levels and simple, straightforward plan of which participants do not have to manage their own assets all should be key components this plan. Research shows that an opt-out method of participation has a far better success rate than an opt-in method. Also, it is important that the plan must be available through automatic payroll deduction.

We fully support the important work of this Board and giving people other options to save for their future needs. It represents responsible public policy given the changing demographics and financial landscape. It gives workers the tools to be able to save for their own retirement, resultantly saving the state money (for services they may otherwise be reliant on) and helping people be able to help themselves. Thank you for this opportunity and the work you do.