

COLORADO SECURE SAVINGS PROGRAM (SB20-0200)

Testimony to the Senate Finance Committee

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May 26th, 2020

Thank you for the opportunity to testify today. I am Tyler Jaeckel, the Director of Policy and Research at the Bell Policy Center. The Bell Policy Center provides policymakers, advocates, and the public with reliable resources to create a practical policy agenda that promotes economic mobility for every Coloradan.

The Bell Policy Center supports SB20-200, which the Colorado secure savings program, a state-facilitated partnership to offer workplace retirement savings plans for private sector workers without access to one.

The COVID-19 pandemic has had devastating effects on our economy and further demonstrated the inequities that existing within our workplaces. We now see what happens when Coloradans don't have access to workplace benefits that help them build financial independence and security. Access to low-fee retirement accounts is one of those benefits.

If this crisis has shown us anything, it's that workers need easier ways to save and create financial security, both for emergencies and the long-term. During the pandemic, restrictions on accessing retirement savings were suspended to ensure people across the country could use past savings to keep a roof over their heads and food on the table.

Colorado, like the rest of the nation, continues to face a retirement crisis. We know automatic payroll deductions make people 15 times more likely to save. **Yet nearly half of private sector workers, over 900,000 Coloradans, don't have a workplace plan.**

The average American has only \$5,000 in retirement savings and studies show boosting savings by even ten percent creates significantly more financial stability for people when they are unable to continue working. We must do more as a state to ensure that every worker has access to and takes advantage of a strong option for saving for retirement.

Colorado's younger, minority, and low-wage workers are disproportionately affected. Forty-eight percent of workers between the age of twenty-five and twenty-nine, forty-six percent of workers between the age of thirty and thirty-four, and forty-one percent of workers between the age of thirty-five and thirty-nine, lack access to a retirement program at work. Forty-six percent of African-American workers and fifty-nine percent of Latinx workers lacking access to a retirement program at work. Sixty-nine percent of Colorado's workers in the lowest income quintile and forty percent of Colorado's workers in the second lowest income quintile have no access to a retirement program at work

The major reason many workers do not participate in retirement savings programs is because their employers do not offer them. Experts on retirement recommend that the best way to increase retirement savings is to enroll all employees in a workplace savings program with the right to opt out. **Workers are fifteen times more likely to save for retirement when they have access to an automatic enrollment savings program at work.**

A Secured Savings Plan that auto-enrolls employees is the most effective way for Colorado to address our retirement crisis without placing a large burden on small businesses. Businesses in Oregon, the first state to create such a plan, overwhelmingly support the new system. So do employees. Over 75% of the people automatically enrolled continue to participate.

The Colorado secure savings program will help state and local governments by increasing the savings held by Coloradans entering retirement. This will reduce the number of seniors needing financial assistance, and help with housing and Medicaid in retirement. [The Colorado Secure Savings Plan Board found](#) that **doing nothing will cost the state of Colorado nearly \$10 billion in lost revenue and increased expenditures, in addition to losing \$6 billion in economic activity.** The impact to Colorado's local governments is more than \$280 million between now and 2035.

To increase savings, six states — California, Connecticut, Illinois, Maryland, New Jersey, and Oregon — have already approved programs that offer workers easy access to investment retirement accounts if they don't have plans at work.

Colorado can act NOW, using existing resources, to establish the infrastructure for a secure savings program. Businesses and employees would only begin to participate once the economy recovers. Senate Bill 20-200 won't cost the state a dime, but will help workers save when they're back to work and recovery is in progress.

Thank you for your time and consideration.

Support the Colorado Secure Savings Program

Increase Savings, Boost Independence, & Support Small Business

Whether you can retire shouldn't depend on who your employer is—it should be easy for every hardworking Coloradan to automatically invest in their future.

People are 15 times more likely to save for retirement if their contribution is automatically deducted from their paycheck. To increase savings, six states — California, Connecticut, Illinois, Maryland, New Jersey, and Oregon—have already approved programs that offer workers easy access to investment retirement accounts if they don't have plans at work. Oregon began implementing its program in 2017. As of December 2019, about 60,000 employees and 13,456 employers were signed up. With a 70 percent participation rate, the program now has more than \$42 million in assets, with an average contribution of \$113 per account and has been self-sustaining since July 2019.

Colorado Could Be the Next State to Help Workers Save

In February 2020, the **Colorado Secure Savings Plan Board *unanimously* recommended Colorado create a Colorado facilitated, automatic retirement savings program for all Coloradans without access to workplace plans.** Based on their detailed analysis, the program will be based on thorough market and financial analyses and managed by a financial services company. The program will be tied to individuals, making it easy for every hardworking Coloradan to automatically invest in their future and take their retirement savings with them when they change jobs, or if they work multiple jobs.

How the Secure Savings Program Works

- Creates a Colorado facilitated program managed by private firms, solicited through a competitive bidding process.
- Gives workers the ability to invest through pooled, professionally managed accounts with low fees.
- Enables workers to save a portion of their wages through automatic payroll deductions, increasing or decreasing the amount as they prefer or opting out entirely.
- Allows workers to move from job to job or work multiple jobs and contribute to the same account.
- Enables small businesses to provide employees access to a retirement savings program at no cost.
- Applies to businesses with five or more employees that have been in business for two or more years and do not currently offer retirement savings plans.
- Shields the state and employers from financial obligation or liability.
- Coloradans who are contractors or are self-employed can easily invest in their future.
- Has no impact on Social Security eligibility.

Coloradans Strongly Favor New Retirement Savings Options

*According to a January 2020 poll of likely voters, **70 percent of Coloradans support creating a Colorado-facilitated automatic retirement savings program with the ability to opt out.** The same percent support creating a universal program, meaning it will be available to all Coloradans whose employers do not already offer a retirement plan. A [poll of Colorado small business owners](#) shows 86 percent support the idea of a workplace IRA where employees are automatically enrolled, a set amount is deducted from their pay and employees can opt out.*

The State of Retirement in Colorado

- [Nearly half of Coloradans in the private sector](#) aged 25 to 64 don't have retirement plans at work.
- 8 in 10 Coloradans working in small businesses have no workplace retirement plan, including those working at businesses with fewer than 50 workers; almost 9 out of 10 Coloradans working in the agriculture industry have no workplace retirement plan.
- 56 percent of Latinos, 49 percent of African Americans, and 44 percent of female workers in Colorado have no retirement plan at work.
- Nearly half of all families in the U.S. have no retirement assets. Even among those families who are nearing retirement, [4 out of 10 have no retirement assets](#).
- 82 percent of Coloradans agree the nation faces a retirement crisis and 78 percent think it is getting harder to prepare for retirement.

The High Cost of Doing Nothing

[The Colorado Secure Savings Plan Board found](#) that it will cost the state of Colorado nearly \$10 billion in lost revenue and increased expenditures, in addition to losing \$6 billion in economic activity. The impact to Colorado's local governments is more than \$280 million between now and 2035. [Increasing retirement savings will make a big difference](#). The Colorado Secure Savings Plan Board found that a modest increase in retirement savings of about \$100 per month or \$1200 per year would significantly increase retirement sufficiency in Colorado. That amount is less than the average monthly contribution to OregonSaves accounts. However, every year we do nothing, the savings fail to increase, more retirees don't have enough, and costs to the state and local government increase.

Colorado Organizations and Business Supporters Include

1 Click Solutions, LLC	RMI Insights
Ascension Energetics	Sexy Pizza
Aspen Leaf Wealth Management	Simon Analytics, Inc.
Bistoro	Stella Sustainability
Bossed Up	Stokes Poke
Bread Bar LLC	Sweet Action Ice Cream
Buglet Solar Electric Installation	Table to Farm Compost, LLC
Change Finance, PBC	The Game Lounge
Cielas Hair Studios	The Logos Group
Clothes Pony & Dandelion Toys	The Wellness Center
Compost Colorado	Theron and Associates
Denver Relief Consulting	Twiggs & Co.
Ever Better, PBC	YellowDog
Fire on the Mountain Buffalo Wings	AARP-Colorado
Frame de Art	Colorado AFL-CIO
Gary's Auto Service	Bell Policy Center
Golden Real Estate, Inc.	Colorado Fiscal Institute
	Colorado Latino Leadership, Advocacy, & Research Organization (CLLARO)
Horse & Dragon Brewing Company	Colorado Senior Lobby
KSTKL Investments LLC	Good Business Colorado
MC Evolution	Lutheran Advocacy Ministries-Colorado
Merlin Instrument Company	Mile High United Way
Mozaro LLC	Progressive Promotions
Native Earth Landscape	Small Business Majority
Pears to Perennials, Inc	Women's Foundation of Colorado
Purpose Aligned Consulting	Young Invincibles
Renewable Environments, Ltd.	