



Testimony of Catherine Taylor, AARP Rhode Island  
**In support of House Bill 7127**  
House Finance Committee  
March 28, 2024

Dear Chairman Abney and members of the House Finance Committee:

On behalf of AARP- RI and our over 125,000+ members in Rhode Island we are in strong support of House Bill 7127, the Rhode Island Secure Choice Retirement Savings Program. AARP is a nonprofit, nonpartisan organization dedicated to helping people ages 50 and older to improve their quality of life as they age. In doing so, we focus not only on those nearing and currently in retirement, but those who are at all stages of their careers and will retire in the future.

This state, like many others, is facing a retirement crisis. The average Social Security benefit in Rhode Island is about \$22,000 a year, while on average older families in Rhode Island spend \$30,000 a year on food, utilities, and health care alone<sup>1</sup>. Social Security was never intended to be a person's sole source of income in retirement. At this rate, one out of every two middle-class retirees will be unable to afford their basic needs in retirement- things like medicine, utilities, and rent. This will cost taxpayers down the line in social services. If we take action today we can reverse this trend, and that is what House Bill 7127 seeks to do.

Nearly half (40% or 172,000) of Rhode Island private sector employees do not have access to a retirement savings plan through their employer. With fewer employers willing or able to offer traditional pensions or 401Ks, it has fallen more and more to employees to establish their own retirement savings plans. However, workers are 15 times more likely to save for retirement if they have access to a payroll deduction savings plan through their employers, 20 times more likely if it is automatic.<sup>2</sup>

**The Hard Facts<sup>3</sup>**

**Small business employees are less likely to have a plan.** The smaller the employer, the less likely its workers are to have access to a retirement plan. Over 70 percent of workers at Rhode Island firms with under 10 employees, and about 59 percent at companies with between 10 and 24 employees lack a plan. In businesses with under 100 employees, 91,000 workers do not have access to a retirement plan, compared with about 81,000 workers in businesses with 100 or more employees.

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<sup>1</sup> CMSMAR2021; Base: FAMREL = 1, 10 or 11 (family reference persons + nonfamily householders + secondary individuals), Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September 2021  
Table 1300

<sup>2</sup> AARP Public Policy Institute estimates from the March 2017 Current Population Survey, U.S. Bureau of the Census.

<sup>3</sup> Payroll Deduction Retirement Programs Build Economic Security - David John, Gary Koenig, and Marissa Malta  
AARP Public Policy Institute, August 2022

**Workers at all education levels lack a plan.** About 71 percent of Rhode Island workers who do not have a high school degree do not have access to an employer-provided retirement plan— compared with 42 percent of Rhode Island workers with some college and 26 percent with a bachelor’s degree or higher. Looking at the actual numbers of workers without access to an employer plan, those with at least some college exceeded those workers without a high school degree (97,000 versus 22,000).

**Employees at all earnings levels do not have access to a plan.** Over 142,000 Rhode Island workers with annual earnings of \$50,000 or less (83 percent of the 172,000 total) do not have access to an employer-provided retirement plan. In addition, almost 30,000 employees earning more than \$50,000 do not have access to a workplace plan.

**Access to a plan differs substantially by race, ethnicity, and gender.** About 61 percent of Hispanic workers, 51 percent of Black workers, and 34 percent of Asian American workers in Rhode Island lack access to an employer-provided retirement plan. Together, they accounted for about 35 percent (60,000) of the roughly 172,000 employees without a workplace retirement plan. In addition, 41 percent of all men and 40 percent of all women do not have access to an employer provided plan.

#### **AARP Rhode Island Small Business Secure Choice Program Survey**

In May 2022, AARP RI conducted a survey that found that small business owners in Rhode Island support Secure Choice as a low-cost, no-risk retirement savings option managed in a public–private partnership by the State of Rhode Island.

Here’s how small business owners responded to our survey.

- Close to three-quarters (72%) of Rhode Island small business owners support a privately managed, ready-to-go retirement savings option that would help small businesses offer employees a way to save for retirement.
- Most (81%) agree that state lawmakers should support a bill to make it easier for small business owners to access a retirement savings option for their employees and themselves.
- Most (76%) small business owners in Rhode Island agree that being able to offer access to a voluntary, portable, retirement savings program helps local small businesses attract and retain quality employees and stay competitive.
- Among the nearly half (46%) of all small business owners who do not offer a retirement savings plan to their employees, most (71%) cite cost as a reason, followed by plan complexity (39%) or being too time consuming to operate (37%).
- Among those who currently do not offer a way to save for retirement to their employees, most (72%) would be likely to offer them access to a state retirement savings option if one were available.<sup>4</sup>

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<sup>4</sup> <https://www.aarp.org/research/topics/economics/info-2022/rhode-island-retirement-savings-small-business-owners.html>

### **How Secure Choice Rhode Island Works**

Under Secure Choice, all private sector employees (at employers with 5+ employees who do not offer a plan) are automatically enrolled into an Auto IRA-type retirement program overseen by the state, with investments run by the private sector. The program would be available but not mandatory for employers with less than 5 employees. The benefit is portable, staying with the employee if they change employers. Employee participation is completely voluntary, and any eligible employee may elect to opt out of the program, to change their investments, or to increase or decrease their contribution rate at any time.

Secure Choice does not expose employers to any cost, or to any legal or fiduciary liability. In fact, the only things that an employer will need to do is to provide their employees with the program information and set up an automatic payroll deduction for those employees who wish to save with Secure Choice. There are no fees for employers, and they are always free to offer a private sector retirement plan of their choosing.

### **The Cost of Doing Nothing**

Rhode Islanders are not saving enough for retirement and the cost of doing nothing to fix this is staggering. PEW Charitable Trusts analysis of inadequate retirement savings in Rhode Island show that given current savings rates, taxpayers in Rhode Island would face a cumulative \$456 million in additional social assistance if nothing changes.<sup>5</sup> Additionally, based on current and projected tax flows, Rhode Island taxpayers may be on the hook for another \$3.08 billion tied to their share of increased federal spending on social assistance programs.<sup>6</sup> Combined, the cost to Rhode Islanders, attributable to insufficient retirement savings, total \$3.54 billion, which works out to an additional \$11,600 per working age household by 2040.”

### **Action in Other States**

The Rhode Island Secure Choice Retirement Savings Program is similar to that of other states which have successfully launched their own programs, including Connecticut, Oregon, Illinois and California.

Many states have taken action in moving forward on retirement security. Today, sixteen states have enacted similar programs. Connecticut’s MyCTsavings program has been in operation for less than two years and as of February they have 24,977 accounts opened with a total of \$18,943,806 saved. It’s important to note that many of these workers are first-time savers, who otherwise would have had no access to a payroll deduction retirement savings option.

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<sup>5</sup>[https://econsultsolutions.com/wpcontent/uploads/2023/05/Impacts\\_of\\_Insufficient\\_Retirement\\_Savings\\_May2023.pdf](https://econsultsolutions.com/wpcontent/uploads/2023/05/Impacts_of_Insufficient_Retirement_Savings_May2023.pdf)

<sup>6</sup> Medicaid, the Medicare Part D Low Income Subsidy, Supplemental Security Income, SNAP, LIHEAP, Supportive Housing for the Elderly, and Older Americans Act Programs.

The success seen in already existing programs is a great example of how these programs can really make a difference for people trying to save their own money for retirement, and save Rhode Island taxpayer dollars, as well.

### Conclusion

We recognize the enormously positive impacts this legislation and program could have on the state of Rhode Island and its taxpayers. We also would like to once again highlight the benefits to Rhode Island businesses. With 71% of businesses reporting that they do not offer a retirement savings plan to their employees due to cost, it is important to note that Secure Choice is free to employers and low-cost to employees. In addition, 76% of business owners reported that being able to offer a voluntary, portable, retirement savings program helps local small businesses attract and retain quality employees and stay competitive. Secure Choice is good for businesses, families, and the State of Rhode Island as a whole.

AARP is fully supportive of the passage and implementation of this bill, and we urge you to support House Bill 7127. Thank you again for the opportunity to speak with you today, and with that I'm happy to take any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Catherine Taylor". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Catherine Taylor, AARP RI, State Director