

Testimony In Support of H-7127: Rhode Island Secure Choice Retirement Savings Program Act

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Thank you, Chair Abney and members of the Committee, for the opportunity to provide testimony on House Bill 7127, the Rhode Island Secure Choice Retirement Savings Program Act. Pew is a nonpartisan, non-profit organization dedicated to informing the public, improving public policy, and invigorating civic life. Pew supports the Rhode Island Secure Choice Retirement Savings Program Act and urges the House Committee on Finance to support H-7127.

Retirement security is largely dependent on people saving money through a plan provided by their employer, but 172,000 private-sector Rhode Island workers currently lack access to this important benefit.¹ Research shows that workers are 15 times more likely to save for retirement if they can do so through payroll deduction,² but many small businesses are unable to offer retirement benefits because of high startup costs and a lack of administrative capacity.

Lawmakers in 16 states have passed legislation to create similar automated savings programs, variously known as “secure choice,” “auto-IRA,” or “work and save.” If Rhode Island were to enact similar legislation, it would join California, Colorado, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Minnesota, Nevada, New Jersey, New York, Oregon, Vermont, Virginia, and Washington in expanding retirement security for its citizens. Although some of the state programs are relatively new and several are still in the process of launching, in the eight state programs already in operation, more than 800,000 savers have already amassed over \$1 billion in assets.³

Taxpayers Benefit from H-7127

The existing lack of access to workplace savings harms Rhode Island taxpayers. When Rhode Island households lack sufficient retirement savings, it places increased pressure on public assistance programs serving older adults, such as Medicaid, and reduces tax revenue. This has a negative effect on states’ fiscal health and shifts growing fiscal costs onto shrinking populations of working-age taxpayers. A recent study commissioned by Pew found that insufficient retirement savings among a growing older adult population will cost Rhode Island a cumulative \$456 million in additional state social assistance spending over the 20-year period between 2021 and 2040.⁴ Helping more Rhode Island workers save for their retirement via a secure choice program would help eliminate this additional fiscal cost.

¹ AARP, 2022, *Fact Sheet: Rhode Island*, <https://www.aarp.org/content/dam/aarp/ppi/2022/state-fact-sheets/rhode-island.doi.10.26419-2Fppi.00164.041.pdf>

² Jacqueline Simon, AARP, “State Programs, Federal Incentives Spur Rise in 401(k)s,” <https://www.aarp.org/retirement/planning-for-retirement/info-2023/rise-in-401k-benefits.html>

³ The Pew Charitable Trusts, 2023, “Retirement Assets in State Automated Savings Programs Hit \$1 Billion,” <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/12/22/retirement-assets-in-state-automated-savings-programs-hit-1-billion>.

⁴ Econsult Solutions Inc., 2023, “The Cost of Doing Nothing: Federal and State Impacts of Insufficient Retirement Savings,” https://econsultsolutions.com/wp-content/uploads/2023/05/Impacts_of_Insufficient_Retirement_Savings_May2023.pdf.

Employers Benefit from H-7127

Research shows that these plans are well received by employers. In 2020, Pew surveyed participating employers in Oregon—the first state to implement a secure choice program—to assess their views. Nearly three in four (73%) said they were either satisfied or neutral about the program.⁵ Employers in other states have also eagerly responded to automated savings programs with a no-cost retirement benefit. In California in 2022, nearly 33,000 businesses had enrolled in the state’s program more than three months before the scheduled deadline.⁶ In Oregon, 27% of eligible businesses joined the program at least 90 days before they were required to do so.⁷ These programs allow small businesses in particular to compete with larger businesses on a more level playing field to recruit and retain workers.

Employees Benefit from H-7127

As noted above, hundreds of thousands of savers across the country are already accumulating savings in their accounts. Pew recently conducted a survey of workers in the Illinois program, and almost two-thirds—62%—were satisfied with their program experience versus only 5% who expressed dissatisfaction. Perhaps more importantly, 38% said the program made them feel more financially secure versus only 14% who felt that the program made them feel less financially secure.⁸

Secure Choice Programs Complement the Private Market

Pew examined federal data on employer-sponsored retirement plans to compare new plan adoption rates in states with secure choice programs relative to states without such programs. California, Illinois, and Oregon show a *higher* rate of increase in new plans adopted by employers following the adoption of a statewide secure choice program relative to states without such programs.⁹ In other words, rather than competing with the private market for retirement products, state programs complement the private market and encourage private savings broadly. These results, if they hold up with future data, make sense because many employers don’t offer retirement benefits until they’ve reached a point of financial stability. Thus, the advent of a state automated savings program may be nudging those employers who have been contemplating whether they should adopt their own plan to move forward.

In conclusion, the Rhode Island Secure Choice Retirement Savings Program Act is necessary and timely, and Pew urges your support for this legislation.

Thank you again for this opportunity to provide our views.

⁵ The Pew Charitable Trusts, 2020, “Employers Express Satisfaction with New Oregon Retirement Savings Program,” <https://www.pewtrusts.org/en/research-and-analysis/articles/2020/07/30/employers-express-satisfaction-with-new-oregon-retirement-savings-program>

⁶ CalSavers, 2022, “Participation & Funding Snapshot as of 3/31/2022,” <https://www.treasurer.ca.gov/calsavers/reports/participation/march-2022.pdf>

⁷ The Pew Charitable Trusts, 2020, “Employers Express Satisfaction with New Oregon Retirement Savings Program.”

⁸ The Pew Charitable Trusts, 2022, “Many in Illinois Retirement Savings Program Feel Their Financial Security Is Improving,” <https://www.pewtrusts.org/en/research-and-analysis/articles/2022/04/18/many-in-illinois-retirement-savings-program-feel-their-financial-security-is-improving>

⁹ The Pew Charitable Trusts, 2023, “State Automated Retirement Savings Programs Continue to Complement Private Market Plans,” <https://www.pewtrusts.org/en/research-and-analysis/articles/2023/04/14/state-automated-retirement-savings-programs-continue-to-complement-private-market-plans>