



**30 W. Mount Pleasant Ave., Suite 201, Livingston, NJ 07039**

To: N.J. Senate Labor Committee

Re: S - 2831 Secure Choice Savings Program Act

Date: October 5, 2015

The Employers Association of New Jersey (EANJ) supports S – 2831, the Secure Choice Savings Program Act (Secure Choice).

The average working household has virtually no retirement savings. When all households are included—not just households with retirement accounts—the median retirement account balance is \$3,000 for all working-age households and \$12,000 for near-retirement households. Two-thirds of working households age 55-64 with at least one earner have retirement savings less than one times their annual income, which is far below what they will need to maintain their standard of living in retirement.

Public policy can play a critical role in putting all Americans on a path toward a secure retirement by expanding access to low-cost, high quality retirement plans, and helping low-income workers and families save.

EANJ believes that Secure Choice is a viable public policy option for New Jersey.

EANJ is not a business and industry association. It is an *employers* association. A business views labor as a cost, taking the opportunity to reduce it whenever possible. In contrast, an *employer* views labor as an asset, looking to enhance it whenever possible. A business cuts costs to produce more with less; an *employer* invests to increase productivity. A business competes on price; an employer on talent. It is with this distinction in mind, that EANJ often provides the following comments:

While defined contribution plans are the primary way private-sector employees save for retirement, the average working household has virtually no retirement savings. Thirty-eight million working-age households (45%) have no private retirement accounts. In New Jersey, 53.5 percent of private sector workers – 1.7 million workers - have no employer-sponsored retirement savings. Additionally, in New Jersey:

- The average working family has \$3,000 in retirement savings;
- 40% of households headed by a 45 to 54 year old have no savings at all; and

- Social Security pays New Jersey residents around \$1,377 a month.

Employers play a vital role in helping employees save and plan for retirement but many small businesses are unable to sponsor a retirement savings plan. Workers are 15 times more likely to save for retirement if their employers offer a plan.

The best evidence suggests that small businesses do not sponsor retirement savings plans because of administrative burdens, fiduciary and legal issues, an absence of in-house expertise, costs and fees, employee turnover and/or a high percentage of part-time workers, the uncertainty of the company's future and higher priorities.

The U.S. Department of Labor has determined that the start-up costs for a small business are three times higher than a large business and administrative costs are twice as high.

In many respects, small employers face similar issues with healthcare coverage. Small businesses that do not provide health care coverage to workers also reported costs and part-time workers as reasons for not providing coverage. Interestingly, in both cases, small employers stated that they did not think their workers value healthcare benefits or retirement savings accounts – in other words, workers are satisfied just to have a job. But many studies have debunked this notion. In fact, workers rank health care coverage *and* retirement savings only second to wages in importance.

Secure Choice automatically enrolls workers without workplace savings plans into private sector, professionally managed Individual Retirement Accounts. Other features include:

- These accounts start with an automatic 3% payroll deduction. Employees can choose how much you save. Employees can opt out at any time.
- These accounts are reliable and portable. They grow as employees earn more and move with them between jobs.
- Funds are protected through a comprehensive risk management and oversight program.
- Workers will have access to financial education and retirement savings guidance from trained professionals at their private investment firm.

Secure Choice is possible solution for employers with 25 or more employees to offer a retirement savings plan to employees under the following standards:

- Employers only have to set up a payroll deduction for employees, like they already do for medical and dental benefits.
- Employers cannot contribute to Secure Choice accounts, and are not liable for how their employees' accounts perform.
- Taxpayers do not fund the program. The state is not liable for how accounts perform.

Many New Jersey workers don't have a way to save for retirement through their job. They are not putting enough money away for the future. Why should business and industry care?

The consequences of growing savings shortfalls could be severe for both American families and the national economy, as a large share of households may be forced to significantly reduce consumption in retirement and will have to rely heavily on their families, charities, and the government for help to make ends meet. Rather than staying in control of their economic lives, millions of Americans may be forced to become partially dependent on others for financial support and to accept a standard of living significantly below that which they had envisioned.

As nearly 70% of Gross National Product is based on consumer spending, lower consumption has a detrimental impact on the economy. As America's population ages, the economic well-being of retirees and their families will be increasingly important to the overall health of the national economy. Secure choice is a potential tool to help secure economic independence and dignity in retirement for New Jersey families.

Respectfully,

*John J. Sarno*

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