



For Release: Thursday, November 21, 2013

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Addressing Washington's Private Sector Retirement Security Dilemma

NCPERS Proposes Public-Private Partnership to Ensure Retirement Security for All Washingtonians

Olympia, WA – In an effort to significantly boost retirement security for private sector workers who are at risk – while making its small businesses more competitive – Washington state should create a public-private partnership to offer an affordable, low-cost, easily administered retirement savings program to private sector employers, a leading pension expert told state legislators today.

Testifying before the Washington State House Committee on Labor & Workforce Development, [Hank Kim, Esq.](#), Executive Director and Counsel of the National Conference on Public Employee Retirement Systems ([NCPERS](#)), urged legislators to establish a defined benefit retirement plan – not only to allow professional management of assets and investments and to keep costs low, but to make covered workers immune to stock market fluctuations and sudden economic downturns.

U.S. Bureau of the Census data show that nearly half of the state's private sector workers – 1.27 million workers, or 47 percent – work for employers who offer no retirement plans. More than half of those workers with no access to employer-sponsored plans are under the age of 40. Nearly three in four – 72 percent – are under the age of 50.

Census data also show that 300,000 Washington state private sector workers with access to employer-sponsored retirement plans do not participate in them.

“So 1.57 million workers – or more than half of the state's private sector workers – are not saving for retirement,” Kim said. “We know the vast majority of these workers work for small employers, those with fewer than 100 workers. The result is that there are generations of Washington workers moving through their working years with little or no retirement savings who will have only Social Security to rely on.”

So many workers with only Social Security to rely on in retirement will create financial and budgetary problems for the state and its communities, Kim said, because “without adequate income, these individuals will not be able to contribute to the tax base to pay for public services and may require income-support assistance.”

[National research](#) by NCPERS shows that most small employers would like to offer a retirement savings plan, but are discouraged by the financial and administrative costs. Almost three quarters of small business owners (73 percent) say they feel a responsibility to provide some kind of retirement benefit, while even more (82 percent) say offering a retirement benefit would help them recruit and retain good employees.

Kim pointed to a rigorously tested proposal developed by NCPERS – the [Secure Choice Pension](#) – as a model for addressing the state’s private sector retirement security dilemma. The SCP is envisioned as a public-private partnership to provide retirement security to private sector workers who are not covered by a defined benefit pension.

The [proposal](#) calls on states – individually, or possibly in groups – to enact legislation to establish multiple-employer hybrid defined benefit pension plans. Participation would be voluntary and contributions would come from employers and employees. Administrative costs and investment risks would be born by the SCP fund – not by taxpayers. Each SCP would have its own board of trustees and administrator responsible for administrative and fiduciary duties. The only real obligation for employers would be to make their portion of the contribution, thus making participation in the SCP affordable and simple. At retirement, employees would have a guaranteed income for life.

“The U.S. is facing an unprecedented retirement crisis in the private sector,” with a retirement savings deficit upwards of \$14 trillion among private sector workers, Kim said. “Our ability as a nation to sustain our economy at a time when a record number of baby boom workers are entering their retirement years should be an important part of our national debate. Retirement security for *all* Americans – whether they work in the public or private sector – must become a national priority.”

About NCPERS

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage more than \$3 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders.

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