

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

Of the

COMMITTEE ON CIVIL SERVICE AND LABOR

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June 23, 2015
Start: 10:30 a.m.
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HELD AT: Committee Room - City Hall

B E F O R E:
I DANEEK MILLER
Chairperson

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Daniel Dromm
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A P P E A R A N C E S (CONTINUED)

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2 [sound check, pause]

3 [gavel]

4 [background comments]

5 CHAIRPERSON MILLER: Good morning, ladies
6 and gentlemen. My name is Council Member I. Daneek
7 Miller, and I am the Chair of the Committee on Civil
8 Service and Labor. We are here today to discuss
9 Intro 692-A sponsored by Public Advocate Letitia
10 James, as well as my self and several other members.
11 This legislation proposes the establishment of a
12 Retirement Security Review Board. The city is
13 heading toward a crisis. Hundreds of thousands of
14 aging New Yorkers have little or not retirement
15 savings and Social Security will not be enough to
16 take care of this population. Thus far, there have
17 been no steps taken to address this looming crisis,
18 which is why we have introduced this legislation.
19 Both the federal government and numerous states are
20 attempting to address this problem. Last year the
21 Obama Administration announced the myRA Program to
22 make the IRAs more easily available to people.

23 In addition, states like California,
24 Illinois, Massachusetts have taken steps in this
25 process of implementing, or are in the process of

2 implementing a retirement account for private
3 employers that would automatically defer a percentage
4 of an employee's salary into an account administered
5 by the State. As well as last year, Comptroller
6 Scott Stringer convened the Retirement Security Study
7 Group to address this issue, and make recommendations
8 for a plan to create a private employee retirement
9 account here in New York. 690--Intro 692-A would
10 create a Retirement Security Review Board of 11
11 members who will examine reports and data regarding
12 retirement security funds and programs for private
13 sector employees, and identify for recommendations
14 the best--that best serve the interests of city
15 residents including any reports from the
16 Comptroller's study group that the Review Board would
17 make.

18 Also, suggestions that it believes best
19 serve the interests of city's residents. The board
20 would be expected to hold public hearings to solicit
21 feedback and issue a report within one year of the
22 last appointment to the board. Members of the board
23 would include representatives from organized labor,
24 the business and non-profit sector. At least one
25 member would have expertise in demographics. One

2 would have expertise in matters pertaining to
3 municipal finance, pension funds and financial
4 advisement. The board would be appointed by
5 representatives from the Mayor, Council Speaker, the
6 Comptroller and Public Advocates and the five borough
7 presidents. With that, I'd like to acknowledge the
8 Council's counsel--the Counsel Matt Carlin, and we
9 have a new team of interns over there who have been
10 working diligently. So I would like to acknowledge
11 Austin Lomax, Sean Romney and Irene Biofney [sp?]
12 and, of course, my Political Director Ali Asiminajad
13 [sp?]. With that, I turn it over to my colleague,
14 the Public Advocate.

15 PUBLIC ADVOCATE JAMES: Thank you, Mr.
16 Chair and I apologize for being late. I was at a
17 hearing a Landmark hearing designating Stonewall Inn
18 as a landmark in the City of New York. And so, I
19 thank all of you. Yeah, I thank all of you for
20 indulging me. So first, let me thank you for working
21 with me and my office on this legislation and for
22 helping us scheduled this hearing today. For
23 millions of New Yorkers retirement represents not the
24 glory days, but years of fear and uncertainty about
25 how to live without a regular paycheck or significant

2 savings. It is no secret that saving for retirement
3 should be a priority. After all, it is the number
4 one financial concern for most Americans. But
5 although we know this, very few of us are saving the
6 necessary money to retire safely and comfortably.
7 Due to increased life expectancy, higher healthcare
8 cost, the rising cost of living, and the increased
9 retirement age for Social Security, the need to save
10 for retirement is greater than ever.

11 And with fewer workers receiving employee
12 based pensions or savings programs today as in
13 decades past, workers are in worse shape to face
14 retirement than ever. The amount of savings required
15 for a secure retirement are daunting. As the charts
16 over to your left and to my right demonstrate, just
17 to live at the poverty line for a 15-year retirement,
18 a 65-year-old New Yorker would need \$215,000. To
19 live at twice the poverty threshold, which is not
20 exactly a life of luxury, a New Yorker would need
21 \$431,103. And for a middle-income New Yorker to
22 retire at the level that he or she is accustomed to,
23 one would need more than \$600,000 in savings. But
24 New Yorkers are nowhere near even the lowest
25 necessary levels of retirement savings. Over 40% of

2 New Yorkers have less than \$10,000 in retirement
3 savings, and nationally, nearly 30% of Americans have
4 no retirement savings whatsoever.

5 And so, for these New Yorkers it is
6 almost impossible to imagine a comfortable retirement
7 even with Social Security benefits. And not
8 surprisingly for women immigrant and for people of
9 color, levels of savings are lower than that from
10 their white male counterparts. 75% of African-
11 Americans and 80% of Latino working age households
12 have less than \$10,000 in retirement savings. And
13 women, as we unfortunately know, face lower wage
14 worker--face lower wages in the workplace than men.
15 And not surprisingly, this disparity manifests itself
16 in retirement savings. Women have just two-thirds of
17 the savings as men, and nationally there are twice as
18 many women over the age of 65 living in poverty than
19 men. And the number of immigrants are similarly
20 alarming, and adding to the concern many immigrants
21 will not have access to Social Security. Part of the
22 retirement security problem is related to access to
23 retirement savings programs, and today fewer
24 employees have the ability to save for retirement
25 than decades past.

2 In New York City, only 41% of workers
3 have access to a retirement plan at work. And that
4 number is declining. And as the second chart behind
5 me demonstrates or to my right demonstrates, even
6 those with access are not necessarily participating.
7 Of the 4-1/2 million New Yorkers in their working age
8 years, on one million of them participate in a work-
9 related retirement plan. And adding to the concern,
10 New York's senior population is set to balloon to
11 it's highest history--its highest rate in history.
12 The number of New Yorkers over 65 will increase to
13 1.5 million by 2035. Likewise, due to shifting
14 demographics an increasingly large portion of these
15 1.2 million seniors will be immigrants, people of
16 color and minority and women. Demographics that are
17 more likely to live in poverty have less in savings
18 and have less access to Social Security. These
19 numbers point to an impending crisis and this crisis
20 will not only impact our seniors, but will also
21 present an enormous threat to the fiscal health of
22 our city.

23 Today, my office is releasing a report
24 regarding retirement savings entitled *Saving New York*
25 *City Through Retirement Savings*. It is not a

2 depiction of the problem, but also a call to action.
3 In the face of this retirement savings challenge, we
4 need nothing short of the citywide movement to
5 mobilize our workforce to ensure that they will be
6 ready for retirement. And so the bill that we are
7 hearing today Intro 692-A is an important first step
8 in the process. The bill sets out a plan to work
9 with the City Controller and a panel experts that
10 will study this issue, and recommend three options
11 for establishing a fund. It includes buy-in from all
12 of our citywide and borough wide elected officials.
13 The appointees to this board would be required to
14 represent a cross-section of stakeholders including
15 our friends in Labor. It allows for significant
16 public input by establishing a series of borough
17 based public forums.

18 And ultimately, after building consensus
19 and buy-in from a broad coalition, it calls for a
20 commended path forward be it through legislation, or
21 through executive action. This approach is similar
22 to what other jurisdictions have done include
23 Illinois, California and Massachusetts. They have
24 developed plans based off of recommendations of a
25 panel of experts. Today's hearing is an important

2 step forward in helping New York to begin to craft
3 its own response to the retirement security crisis.
4 And we are joined today by a number of experts along
5 with a number of individuals who represent
6 stakeholders. I welcome all of you. I thank you. I
7 thank the Chair of the committee and I thank the co-
8 sponsors, and I thank you for allowing me to say a
9 few words.

10 CHAIRPERSON MILLER: Thank you, Madam
11 Chair. We've been joined by Council Member Kallos.
12 We'll now hear from Council Member Kallos.

13 COUNCIL MEMBER KALLOS: Thank you to
14 Chair Miller for convening this hearing, and thank
15 you to Public Advocate James for introducing this
16 legislation. I'm a proud co-sponsor of it as well as
17 the--this great report, and for your leadership on
18 this, and other issues of importance that usually are
19 important for 8.4 million New Yorkers as well as the
20 rest of the county. You've become a national leader.
21 I also want to thank Bill Samuels for his leadership
22 on this over at Effective New York over the past
23 years. It's been a pleasure to work with him, and
24 with so many others on this issue. We're facing a
25 serious retirement crisis as a country. The expected

2 national deficit for retirement savings is roughly
3 \$7.7 trillion and growing according to the Pension
4 Rights Center. That's trillion with a T, not a
5 billion with a B. That represents all the
6 externalized costs for all the people whether they
7 are government, non-profit or private sector that are
8 underpaying people, not providing for a steady
9 retirement where somebody is going to have to foot
10 the bill for people who are retiring into poverty.
11 And when they retire into poverty, they will cost our
12 government money in terms of the social services that
13 we'll be providing to the tune of \$7.7 trillion. So
14 right now we have your personal savings, of which New
15 Yorkers have less and less of everyday. We have our
16 Social Security savings, which is not enough for
17 anyone to retire on. And what we used to have is a
18 pension. I know it was a defined benefit pension,
19 which meant that if you worked hard all your life,
20 you'd know that you'd have a certain percentage of
21 what you earned to retire on. And that's been
22 replaced by something called a 401(k), which is very
23 popular because it puts no risk on the employer, and
24 all the risk on the employee. And the 401(k)s just
25 don't stand up against a defined benefit plan. So we

2 need to do something as a city to work with employers
3 to provide some sort of stable third leg to the
4 retirement stool that so many people are familiar.
5 And by putting together for all, that will provide
6 the equity that everybody needs so that we can deal
7 with income and equality in a way that is meaningful
8 to those that are retiring. And as a city that is
9 aging, where 50% of our districts, at least mine, are
10 over 50 and only getting, we need to do something to
11 protect them and future generations. I'm looking
12 forward to this plan, and this hearing, and looking
13 forward to addressing this serious need. Though it's
14 not an immediate crisis that anyone sees or hears
15 right now, it is something that is common and we need
16 to act now. Thank you.

17 CHAIRPERSON MILLER: Thank you,
18 Councilman Kallos. So, now we'll call our first
19 panel and that is James Parrott from the Fiscal
20 Policy Institute. Teresa Ghilarducci and Sewin Chan.
21 And forgive me if I butchered anyone's name or title.

22 [pause]

23 CHAIRPERSON MILLER: So in the interest
24 of time, there will be--there's a five-minute time
25 clock on your testimony. Begin wherever.

2 [pause]

3 TERESA GHILARDUCCI: Thank you and these
4 sponsorship rights I really have to emphasize are
5 shockingly below the national average. There is
6 something about New York City or people who live in
7 cities in New York State where the sponsorship rates
8 at work are much, much lower. Nearly two-thirds of
9 New York City residents, that's over three million
10 people, did not participate in this employer
11 sponsored plan. Let me stress that all researchers--
12 I think my colleagues here will agree--that the most
13 effective way to save for retirement is to do it at
14 work. There's two reasons for that. That's where
15 the money is. You get paid every week and every
16 month and it's also where the discipline is if it's
17 automatically deducted from your paycheck and it
18 doesn't reach your wallet. So the fact that two-
19 thirds of New York residents don't have one of these
20 vehicles is feeding this problem of non-coverage, but
21 also feeding the problem or projected poverty that
22 I'm going to talk about right now.

23 The high risk of very low incomes from
24 people turning 65 in the next ten years in New York
25 speaks to two truths that we all know. The number of

2 elderly are increasing rapidly. James will talk
3 about that. 500 people per day in New York City will
4 turn 65 every day for the next ten years. And the
5 second truth we all know is that the retirement
6 assets for working people eroded, even--even in the
7 wake of the--of the recovery. That is what the
8 updated numbers are telling us. So here's our
9 projections. We estimate that 1.3 million retirees
10 will be living in New York City on very low income by
11 2027. What does low income mean? It means the
12 Federal Poverty Level and 150% of the poverty level.
13 What does that mean? It means \$9 a day for food and
14 about \$700 for housing. Most New Yorkers, almost all
15 except the 400,000 household that are in the top 20%
16 will be worse off than their parents or grandparents
17 in old age. And since people face higher medical
18 costs and care needs as they grow older, we are just
19 looking at the 65-year-olds. As they grow older,
20 their impoverishment will get worse. One solution is
21 that New York City should consider as this bill does
22 today, this proposal does today to implement a plan
23 for the private sector workers that don't have one
24 now. More and better pensions in the form of secure
25 low fee, prefunded individual what we call Social

2 Security add-on accounts will give seniors choices.
3 They'll create incentives for employers to raise
4 wages and improve--improve working conditions for
5 older workers. City and state budgets will get
6 relief when they don't have to pay for aid for poor
7 seniors. Secure, low cost and partially funded by a
8 change in the Tax Code where the deductions get
9 transformed into a refundable tax credit are what we
10 call a three-for. It's a win for older labor
11 markets. It's a win for seniors and it's a win for
12 city and state budgets, and people who want secure
13 neighborhoods with well funded seniors in them. This
14 solution is a winner. Thanks a lot for proposing
15 that. I can go on and talk about some of the facts
16 that are behind projections of poverty when you want
17 to, but I can now yield my time to the--to my
18 colleagues.

19 CHAIRPERSON MILLER: There will be
20 questions afterwards.

21 SEWIN CHAN: Thank you for inviting me to
22 speak today. I am--I'm Sewin Chan. I'm an Economist
23 at NYU. I study economic and financial risks faced
24 by households and I have published research on
25 pensions and retirement behavior. I served on the

2 U.S. Department of Labor's ERISA Advisory Council for
3 three years, and I've been a New York City resident
4 for over 25 years. I commend you for bringing the
5 issue of retirement security fall New Yorkers to the
6 forefront. Today, I just want to outline three key
7 issues that should be considered in deciding on a
8 retirement security program for New York City. First
9 of all, automatic enrollment. Auto enrollment with
10 the ability to opt out will drastically increase
11 enrollment rates. The research on this cannot be
12 more clear. If people have to actively enroll into a
13 savings plan, chances are they won't. But the
14 default is that they are enrolled, they mostly won't
15 bother to opt out. And so, they'll end up with some
16 retirement savings. This is why auto enrollment is
17 now considered a best practice, and the-- For
18 example, the State of Illinois' plan has exactly this
19 auto IRA requirement. They're mandating that
20 employers--

21 CHAIRPERSON MILLER: [off mic]

22 SEWIN CHAN: Yes. Sorry.

23 CHAIRPERSON MILLER: [off mic]

24 SEWIN CHAN: Okay. So, the State of
25 Illinois has mandated that employers without plans

2 must auto enroll their employees into an IRA with
3 direct payroll deposits. The workers can opt out,
4 but the default is that their contributing three
5 percent of their pay. The second important issue in
6 my opinion is simplicity, probably the most important
7 aspect of any plan you consider. People can already
8 enroll in IRAs by themselves, or they can make use of
9 Treasuries new MyRA, which is designed as a starter
10 retirement savings account for people with low
11 earnings. So people can already get into good plans
12 on their own, but they don't because it's complicated
13 and it's intimidating particularly for people with
14 low levels of financial literacy or English literacy.
15 Simplicity also means don't try to reinvent the
16 wheel. Use existing structures as much as possible,
17 and in my opinion, don't try to operate your own fund
18 because most actively managed funds have poor
19 performance records and higher expenses. Wall Street
20 thrives on complexity. We saw this throughout the
21 financial crisis when financial instruments were
22 created that no one understood. And we've seen it
23 recently with the billions of dollars of the City's
24 five public employee pension funds pay for investment
25 management that wasn't worth it. By making

2 everything as simple as possible, there won't be
3 additional places for charges to hide.

4 Lastly, I want to mention the risk return
5 tradeoff. If you want people to experience
6 investment returns that will allow a decent
7 retirement, then they bear some risk of losing
8 capital or the City has to be willing to incur that
9 risk for them. The criteria noted in the bill only
10 mentions risks but not return. For younger workers,
11 return will be more important as they have a longer
12 time horizon. One simple way to balance risk and
13 return is to use a suite of target date funds.
14 People's savings are automatically readjusted to a
15 safer access as they approach retirement age. Under
16 auto enrollment, people are typically invested into a
17 target date fund depending on their year of birth.

18 So to sum up, the three key issues are
19 auto enrollment, simplicity and a balancing of risk
20 and return. In closing, I would like to suggest that
21 if the Review Board is establish, they should at
22 least--they should include at least one economist
23 with similar expertise as the Comptroller study group
24 members. Economists have done a great deal of
25

2 research on these issues, and they've done this for
3 the most part in an impartial way. Thank you.

4 [laughter]

5 JAMES PARROTT: Good morning. James
6 Parrott is my name. I'm the Deputy Director and
7 Chief Economic at the Fiscal Policy Institute. Good
8 morning, Chairman Miller, Public Advocate James, and
9 Council Member Kallos. I remember the first time I
10 encountered Council Member Kallos, it was on this
11 exact issue of retirement security. So we--we go
12 back a few years on that. I'm here this morning to
13 support Intro 692-A that would establish a Retirement
14 Security Review Board to make recommendations for the
15 City of New York to establish a retirement security
16 fund and program for private sector workers. The
17 case can be summed up as follows: New York City's
18 population is aging. Many private sector workers do
19 not have employer provided retirement coverage, and
20 our tax system rewards those who had employer
21 provided retirement coverage. And does very little
22 to help those who don't have such coverage. Since
23 most of those without employer provided retirement
24 security tend to be from low and moderate income
25 households and disproportionately persons of color

2 are existing in troubling income disparities are
3 further intensified by retirement security
4 disparities. The city's population and workforce are
5 aging. Between 2010 and 2040, the City Planning
6 Department projects a 10% of overall increase in the
7 city's population. When you break this down between
8 those over 65 and under 65, it's pretty starkly
9 different. The Planning Department projects that the
10 population 65 and over will rise by 40% over that 30-
11 year period in contrast to only a 5% increase in our
12 under 65 population.

13 Teresa's numbers are the gold standard in
14 terms of retirement security in New York. I had the
15 benefit of the recent update. So my testimony
16 indicates that 43--that only 43% of private sector--
17 of workers in New York City have employer provided
18 retirement cover, and that 43% is significantly less
19 than the national average of 53%. While about half
20 of Whites and Blacks have employer provided
21 retirement coverage, the shares for Latinos and
22 Asians with such coverage is far less, 35 and 36%
23 respectively. To give you an idea of how different
24 groups are prepare or not for retirement, we looked
25 at--we used the American Community Survey to look at

2 sources of retirement income for elderly households
3 in New York City. Charts 1 and 2 at the back of my
4 testimony portray the trends that I'd like to
5 summarize this morning. On average, Social Security
6 is by far the most important source of income and
7 retirement for elderly households headed by a person
8 of color. While White households on average receive
9 a low--a higher dollar amount of Social Security
10 benefits. The disparities by race and ethnicity are
11 much less than for other retirement income. Whether
12 it's pension payments or investment income, that is
13 the earnings from retirement savings. Primarily
14 because the retirement savings of elderly White
15 households are so much greater, they receive nearly
16 three times the investment and the retirement income
17 as do Black households. More than three times that
18 are received by Asian and other households. And more
19 than five times the investment in retirement income
20 received by Latino households. We also looked at
21 other--receipt of retirement income by income
22 quintile in New York City. The lowest income, 60% of
23 elderly New York City households receive an average
24 of only \$5,400 a year in pension benefits and
25 earnings from savings. While those in the top

2 quintile, that is those with incomes over \$109,000,
3 receive an average of \$64,000 a year in pension
4 benefits and retirement savings. It's clear that far
5 too many New Yorkers are heading into retirement with
6 too few resources to sus--to sustain themselves.
7 Invariably, this will lead to great challenges for
8 New York City and State government in terms of the
9 cost of social services, Medicaid, housing and food
10 assistance. The New York and federal tax systems are
11 geared to reward those who have employer provided
12 retirement coverage and savings. For example,
13 employer provided retirement savings plans such as
14 401(k)s and 403(b)s allow for pre-tax contributions.
15 And New York State and City do not tax government
16 pension benefits, and allow an exclusion for the
17 first \$20,000 [bell] in annual private pension
18 benefits. I think these tax benefits are
19 appropriate, but what that means is that those
20 without employer provided coverage or retirement
21 savings opportunities fall further behind.

22 Intro 692-A would establish a retirement
23 security review board to make recommendations for the
24 City of New York to establish a retirement security
25 fund, and program for private sector workers. I

2 think it is entire appropriate that the review board
3 be charged with identifying options that maximize
4 participation, ensure ease of enrollment and limit
5 risk and fees. This is a critical step for the city
6 to address the retirement security for the nearly 60%
7 private sector workers who currently lack any
8 employer provided retirement coverage. Such a step
9 is part and parcel in addressing the dramatic
10 disparities in income and wealth that currently
11 exists. And it directly bears on the future of
12 fiscal liabilities the city faces given the aging if
13 our population. Thank you for the opportunity to
14 testify.

15 CHAIRPERSON MILLER: Thank you to the
16 panel and there will be I'm sure a number of
17 questions, and I obviously have a few myself. So I
18 would trust that by your statements that all members
19 of the panel currently are support Intro 692-A? [door
20 slams] Sewin?

21 SEWIN CHAN: I--I don't really have an
22 opinion on whether the panel should be established,
23 but I think if it does, then the--I would have some
24 comments on the composition.

2 CHAIRPERSON MILLER: Okay. So given the
3 chart and--and your updated numbers in relation to
4 that and the--how we address the impending crisis,
5 considering the stagnant wages, how then do we expect
6 particularly where you have a--a mandated enrollment--
7 -

8 TERESA GHILARDUCCI: [interposing] Right.

9 CHAIRPERSON MILLER: --how--how do we
10 expect folks to survive today and be mandated to
11 contribute toward their pension?

12 TERESA GHILARDUCCI: Perfect question.
13 So I've proposed that people save more for their--
14 their retirement at work. How would we pay for it?
15 A refundable tax credit. So let me tell you how
16 that's paid for. Right, now the--the United States
17 spends \$140 billion to give tax breaks to mostly the
18 top 20% of taxpayers. 80% of that 140 to the goes to
19 the very top. Why? Because they're saving their
20 retirement, shelter it from income tax. Their tax
21 rates are the largest and they save the most. It's
22 an upside down effort to help people save for
23 retirement, and that's because it's a deduction. We
24 have the same problems with home mortgages deductions
25 and capital gains. We're proposing that that

2 deductions be transformed to a refundable tax credit.
3 So that everybody who saves get a flat amount. This
4 is very similar to what we've done in this country.
5 When the Social Security tax was raised back in the
6 1980s--in the '70s, we on the federal level created
7 the earned income tax credit with exactly the same
8 question: How can low-income earners pay more into
9 their Social Security? A refundable tax credit. You
10 asked the question today: How do people pay for
11 their additions to Social Security. The answer again
12 is a refundable tax credit. New York City and State
13 without any hearings, without any analysis of the
14 effectiveness or the fairness passes through that
15 aggressive federal provision. And it gives about
16 \$200 per year to people who are making over \$170,000
17 a year without ever having a hearing, without
18 analyzing it. It's money that goes out the window
19 through what we call a tax expenditure. Bring that
20 money back. Bring it to people who really need it,
21 and put in these universal accounts.

22 CHAIRPERSON MILLER: Let's see. Of the
23 plans that are currently being implemented throughout
24 the state--throughout the country, and those that are
25 about to get up and running, to your knowledge is

2 there anyone that anyone in the panel favors over the
3 other?

4 TERESA GHILARDUCCI: Can you speak to
5 that? So I've been advising these state efforts as
6 with Hank Ken for about eight years. The first one
7 was in California, which is where I lived and got my
8 degree. That plan is headed for a plan that is ERISA
9 protected, or ERISA type protected. It recognizes
10 that the contributions aren't even just in auto
11 enrollment but should almost be mandated. Should be
12 capped into the retirement accounts. So California
13 looks pretty good, but today I think what's
14 considered in Connecticut is more like what's being
15 considered here in New York. And New York could
16 actually be a gold standard for what states should
17 do. On the other side of the spectrum is Illinois,
18 which is basically--an individual retirement account
19 without the needed reforms of individual retirement
20 accounts, which are very in some cases predatory
21 institutions. A mattress might be safer than a lot
22 of IRAs actually. It benefits the financial sector
23 industry and very dubious benefits to working people.
24 That's why the Obama Administration is going after
25 that system. So there's a big continuum of Illinois

2 here, and at this moment Connecticut. What is being
3 considered in Connecticut on the other side of the
4 scale, and I like Connecticut.

5 CHAIRPERSON MILLER: So in California
6 being that you mentioned the--the ERISA, could you
7 explain how the potentially private pensions would
8 come into contact with the provisions outlined in the
9 ERISA?

10 TERESA GHILARDUCCI: Yeah, so--

11 CHAIRPERSON MILLER: [interposing] How
12 that would be addressed?

13 TERESA GHILARDUCCI: Yeah, so ERISA is
14 still unnecessarily so. It's a federal standard put
15 into place in the 1970s that basically says pension
16 fund money has to be managed through the--for the
17 benefit of the pensioners. Not the managers. Not
18 the money managed. Not the employers, but for the--
19 for the pensioners. And so with that principle, that
20 fiduciary principle, the--the most private plans are
21 governed by that principle. For accidents of
22 history, the public plans were not covered by that,
23 but most plans are run up by the fiduciary. So in
24 California even though they haven't decided yet to
25 embrace ERISA, it's still an open question about

2 whether or not the state plans to be covered by
3 ERISA. What we are recommending is that even if it's
4 not ERISA covered, to do everything that ERISA says
5 to do for your state plans. Those are--those are
6 very good standards.

7 CHAIRPERSON MILLER: Okay.

8 TERESA GHILARDUCCI: Did that answer you
9 question?

10 CHAIRPERSON MILLER: Yeah, we have tons
11 of questions, but I'm going to--I'm going to pass it
12 over to the Public Advocate now.

13 PUBLIC ADVOCATE JAMES: Thank you, Mr.
14 Chair. First, Ms. Chan, you mentioned composition.
15 You had some concerns with respect to the composition
16 of 692-A. Could you elaborate further?

17 SEWIN CHAN: I--I don't have a--I don't
18 have a problem with the--what's outline. I would
19 just like to--to add that because the intent is to
20 partly review the output of the Comptroller's study
21 group that there should be at least one member of
22 the--of the group that has the same expertise as the
23 study group members.

24 PUBLIC ADVOCATE JAMES: Okay.

2 SEWIN CHAN: So that's--that's one point.
3 Another is that I would be concerned that--that I
4 would--I would be concerned if the group were
5 primarily composed of people from Wall Street. I--I-
6 -

7 PUBLIC ADVOCATE JAMES: [interposing] I
8 would be concerned, too.

9 SEWIN CHAN: Yes, so that would be my
10 concern.

11 PUBLIC ADVOCATE JAMES: [interposing]
12 I'm share your concerns.

13 SEWIN CHAN: But you really judge by that
14 group.

15 PUBLIC ADVOCATE JAMES: I share your
16 concerns.

17 JAMES PARROTT: Right, write that in.
18 [laughter]

19 PUBLIC ADVOCATE JAMES: I definitely do.
20 So in regards to the Earned Income Tax Credit, which
21 I have supported in the--as well as the Earned Income
22 Tax Credit, which you are proposing that Ms.
23 Ghilarducci-- Did I say that right?

24 TERESA GHILARDUCCI: [off mic] You did.
25

2 PUBLIC ADVOCATE JAMES: Excellent. Thank
3 you. That we should model the plan after these two
4 credits. In the other jurisdictions in Illinois and
5 Connecticut and Massachusetts, do they have--did they
6 model it after those--these tax credits?

7 TERESA GHILARDUCCI: It's--it's in the
8 things that they want to study. It's an entirely
9 different process, and without a study group you
10 could do it today. It is about modifying the tax
11 credit. It's just that it works well if you're
12 requiring people or enrolling them into a plan. But
13 I propose doing it today without any such new--a new
14 proposal. It's a very progressive logical tax
15 reform.

16 PUBLIC ADVOCATE JAMES: And these
17 jurisdictions that currently have a retirement plan,
18 how do they get around ERISA? Aren't they preempted
19 by ERISA?

20 TERESA GHILARDUCCI: They--we--in the old
21 plan, which is the one that has passed--

22 PUBLIC ADVOCATE JAMES: [interposing]
23 Yeah.

24 TERESA GHILARDUCCI: --it has bypassed
25 ERISA by putting the money in an individual

2 retirement account, which is also an accident of
3 history that they're not covered by--by ERISA. The
4 Obama Administration in February wants to change
5 that. So, you know, they got through that--that
6 crack and it's--that's not appropriate.

7 PUBLIC ADVOCATE JAMES: And the other
8 question, if, in fact, it was modeled after a tax
9 credit, how do you get around the issue of the fact
10 that we would have better--we would have more
11 individuals enrolled in a plan as a result of
12 automatic enrollment?

13 TERESA GHILARDUCCI: Yeah.

14 PUBLIC ADVOCATE JAMES: If, in fact, they
15 get the credit in their pockets then--

16 TERESA GHILARDUCCI: Right. So--so right
17 now if you're a wealthy New Yorker, you get thousands
18 of dollars from the federal government, and you get
19 probably over \$2,000 from the state and the city
20 because you've deferred your taxes. The middle-class
21 folks get about 80 bucks--

22 PUBLIC ADVOCATE JAMES: [interposing] Uh-
23 huh.

24 TERESA GHILARDUCCI: --and--and 400
25 bucks, federal, state. What we would do is we would

2 flatten that benefit, and it would be fiscally
3 neutral. You would just take the money that's
4 lopsided--

5 PUBLIC ADVOCATE JAMES: [interposing] Uh-
6 huh.

7 TERESA GHILARDUCCI: --and then you would
8 flatten it out with no fiscal impact. So you would
9 be--your--with budget neutrality, you're transforming
10 that deduction into a credit.

11 PUBLIC ADVOCATE JAMES: But the credit
12 would result in a check to individuals.

13 TERESA GHILARDUCCI: It would. Sorry.
14 Yeah, thanks. Technically it would go into their
15 account.

16 PUBLIC ADVOCATE JAMES: Got it.

17 TERESA GHILARDUCCI: So it wouldn't
18 through their pockets into their account. It would
19 go right to the account.

20 PUBLIC ADVOCATE JAMES: Okay, and--Okay
21 that would result in--

22 TERESA GHILARDUCCI: [interposing] Yes.

23 PUBLIC ADVOCATE JAMES: --automatic
24 enrollment. Okay.

25 TERESA GHILARDUCCI: Exactly.

2 PUBLIC ADVOCATE JAMES: And can you
3 explain--can any of the panelists explain to me the
4 concept of a default--a--a default for withholding.
5 Can you--someone can explain the concept of default
6 and how does that work?

7 SEWIN CHAN: The word default here just
8 means--it's the same as auto enrollment. But if
9 someone does nothing, they--they simply end up in the
10 plan.

11 PUBLIC ADVOCATE JAMES: Got it. Okay.

12 SEWIN CHAN: So that's the default.

13 PUBLIC ADVOCATE JAMES: And any of the
14 jurisdictions that currently are considering or have
15 enacted a plan, can someone discuss the issue of
16 fiduciary responsibility on the part of government as
17 opposed to the individual?

18 TERESA GHILARDUCCI: Yeah, I can--I can
19 do that.

20 PUBLIC ADVOCATE JAMES: Yeah.

21 TERESA GHILARDUCCI: We---

22 PUBLIC ADVOCATE JAMES: [interposing]
23 Talk about risk.

24 TERESA GHILARDUCCI: Yeah, so--yeah,
25 yeah, this to public officials into the--into the

2 state of city. The way that most of these proposals
3 have been written, and, you know, almost all--all to
4 my knowledge are written so the state is facilitator.
5 But, I like to describe it as providing the
6 infrastructure for this financial architecture we
7 need. And very clearly in California it's written
8 that the state has no fiduciary responsibility. That
9 the board might actually. This independent board
10 might because they will select an exchange. They
11 have certain responsibilities, and--but the money
12 managers will certainly have fiduciary
13 responsibilities. And that's ERISA like.

14 PUBLIC ADVOCATE JAMES: And who manages
15 the fund?

16 TERESA GHILARDUCCI: Well, in California,
17 you're--you're familiar with an exchange. [laughs]
18 It would be the private sector that will facilitate
19 the funds. Other proposals are that the Wall Street
20 managers that we already have managing the state
21 funds that you've already vetted that are used for
22 institutional management that they could--that they
23 could be--that they could run the fund. That you
24 could carve out individual accounts, and they with
25 their professional expertise would run the fund. But

2 in California, it's an exchange of private sector.

3 So no matter how you cut it--

4 PUBLIC ADVOCATE JAMES: [interposing]

5 Right.

6 TERESA GHILARDUCCI: --Wall Street gets

7 the money. It's just that they have much more

8 oversight than they do in the current system.

9 PUBLIC ADVOCATE JAMES: And so since Wall
10 street gets the money, can you talk a little bit
11 about fees?

12 TERESA GHILARDUCCI: Yes.

13 PUBLIC ADVOCATE JAMES: Trying to
14 minimize fees.

15 TERESA GHILARDUCCI: Absolutely. So the
16 board and the financial infrastructure--

17 PUBLIC ADVOCATE JAMES: [interposing]

18 Okay.

19 TERESA GHILARDUCCI: --just like we do in
20 pension funds, uses the bargaining power of size to
21 keep those fees down.

22 PUBLIC ADVOCATE JAMES: Okay.

23 TERESA GHILARDUCCI: It uses the
24 sunshine--the disinfectant effect of transparency to
25 keep the--the fees low. And it actually imposes a

2 responsible diverse portfolio so that equities are
3 only in passive funds. They're in index funds. You
4 know, defined benefit plans. Institutional investors
5 get a frac--pay a fraction of the fees that small
6 investors do. Big investors pay a lot less than
7 small investors.

8 PUBLIC ADVOCATE JAMES: So there's no
9 investment in hedge funds or private equity?

10 TERESA GHILARDUCCI: There will be a
11 little, but because you will have a diversified
12 portfolio some of them are appropriate because
13 there's long-term investments--

14 PUBLIC ADVOCATE JAMES: [interposing]
15 Okay

16 TERESA GHILARDUCCI: --but keep an eye on
17 them.

18 PUBLIC ADVOCATE JAMES: Got it. And does
19 the employer match or make a contribution?

20 TERESA GHILARDUCCI: In many of these
21 plans, there's a vision of the way that an employer
22 could. But the--in order to get away from it not
23 being an employer plan like in Illinois--

24 PUBLIC ADVOCATE JAMES: [interposing]
25 Yes.

2 TERESA GHILARDUCCI: --they just put it
3 solely on the employee. And that's why Illinois
4 should pass a refundable tax credit yesterday.

5 PUBLIC ADVOCATE JAMES: And under the--in
6 any of these states or in those states that are
7 considering a plan, do they have to get some sort of
8 approval from the federal government or can they do
9 it on their own?

10 TERESA GHILARDUCCI: Illinois was able to
11 do it on its own because it's a weak system.

12 PUBLIC ADVOCATE JAMES: Got it.

13 TERESA GHILARDUCCI: If--we understand
14 from the Labor Department if there are risks of
15 protections they could be grandfathered in. There's
16 lots of other ways to do it. But I propose that
17 federal oversight, federal dialogue, federal
18 cooperation is really what you want here to have
19 utmost protection of the participants.

20 PUBLIC ADVOCATE JAMES: And is it too
21 early to study the findings?

22 TERESA GHILARDUCCI: No.

23 PUBLIC ADVOCATE JAMES: No?

24 TERESA GHILARDUCCI: No. I would--I
25 would actually look at it's early but not too early.

2 PUBLIC ADVOCATE JAMES: Okay. Any other
3 comments from any of the panelists? Okay, thank you.

4 CHAIRPERSON MILLER: We've been joined by
5 Council Member Costa Constantinides, and now we have
6 questions from Council Member Kallos.

7 COUNCIL MEMBER KALLOS: Thank you so very
8 much for appearing before us and for your advocacy.
9 Just wanted to explore this concept of a retirement
10 deficit and why should government care about it? So
11 in terms of the \$7.7 trillion, I guess the question
12 is for all these people who are going to go into
13 poverty and forgive the softball question, as it
14 were, to the extent that such a question can be a
15 softball. But with so many people going into poverty
16 after working in the private sector, who is
17 ultimately footing the bill when they're in poverty?

18 TERESA GHILARDUCCI: Before James answers
19 that question, I just wanted to draw your attention
20 to those--to that graphic, which is just what you--it
21 illustrates what you just said. There's all these
22 workers. They're doing the right thing. They're
23 working. Can you see it? [laughter] And based on
24 what they have now, yes that one, they're moving into
25 poverty. That we call downward mobility of middle-

2 class people. These people fill about eight Yankee
3 Stadiums for a unit of analysis that we all can
4 understand. [laughs] Okay, so that's the picture
5 you're drawing is that these workers now are--are
6 going into a decade of living poor.

7 JAMES PARROTT: [coughs]

8 TERESA GHILARDUCCI: Take it from there,
9 James.

10 JAMES PARROTT: Yeah. I make the
11 assumption that New York City would see it as a
12 responsibility to try and retain retired workers and
13 households in New York City. So--so given that, if--
14 if an elderly household had insufficient income, it
15 would then turn to various forms of public
16 assistance. Some are mainly federally funded like
17 food stamps, and some like housing assistance and
18 food assistance beyond food stamps are--are more of
19 the State and local burden. So, government would--
20 would face responsibility of--of having to care for
21 an increasingly large body of households with
22 inadequate income to sustain themselves. And, of
23 course, as personal health situations deteriorate, as
24 happens with advanced age, there are growing
25 healthcare issues and healthcare burdens that will--

2 that will go a long that. So, while we don't have a
3 convenient way of summarizing what the long-term
4 fiscal liability of the retirement deficit is, we do
5 believe that it's substantial, ant it's one of the
6 things that should motivate serious interest on the
7 part of the city and the state to look at doing what
8 we're talking about today.

9 COUNCIL MEMBER KALLOS: According to the
10 Public Advocate's great Policy Report, she indicates
11 that without subsidies that two-thirds of seniors
12 would be rent burdened. So I guess the question is
13 if we did this program and it was an automatic
14 enrollment, would we be able to help New Yorkers help
15 themselves so that they wouldn't need to be or
16 receive public assistance?

17 JAMES PARROTT: I think it would--it
18 would certainly help. I think the magnitude of the
19 problem we're talking about is so great, and given
20 that we're talking about a retirement savings system
21 that will make a powerful difference over the long
22 term, but will do little in, you know, the course of
23 the next five to ten years probably. It's not a
24 silver bullet certainly.

2 COUNCIL MEMBER KALLOS: [interposing] But
3 we might have--

4 JAMES PARROTT: But it's an important
5 thing to move toward.

6 COUNCIL MEMBER KALLOS: So might have a
7 gap where we still have the \$7.7 trillion deficit,
8 but if we enacted it now, the 20 somethings and 30
9 somethings that are in workforce might have
10 sufficient savings on that third leg of their
11 retirement saving stool that we wouldn't have to
12 worry about them, and just have to worry about this
13 in between group of Baby Boomers.

14 TERESA GHILARDUCCI: If I could answer
15 that, there is a short, medium and long-term solution
16 here. Embedded in the proposal is a medium to long-
17 term solution. That's why the refundable tax credit
18 part is so important because immediately you can get
19 money into people's retirement accounts who are 50
20 and 64. So that's why that--that part of the
21 proposal is--is so crucial.

22 COUNCIL MEMBER KALLOS: Thank you.

23 CHAIRPERSON MILLER: Thank you council
24 member. We've been joined by Council Member Dromm.
25 I just want to follow up on--on pending economics and

2 while have you here, make use of your expertise.
3 What is the realistic expectations of considering the
4 cost of living here in the city--anticipated cost of
5 living here in the city of New York. On what savings
6 should look like as we build this out, and--and as we
7 deal with this such as rent control and others that
8 drive our economy here, or our cost of living here in
9 the city? What are realistically looking at in terms
10 of savings required to have a quality of life? We
11 talked about it earlier but, you know, these numbers
12 change. I know that I've seen people retire briefly
13 and four or five years later they're looking for a
14 second or another job.

15 TERESA GHILARDUCCI: So we expressed
16 retirement adequacy in this way, and really in the
17 room is wondering do I have enough? So the way we
18 benchmark it is take what you're living on now and
19 multiply it by 8 to 20, and that's how much you need
20 when you retire. It's a staggering number but that--
21 Yeah, exactly, right. If you're very low income and
22 you're used to impoverishment, then go forward. Take
23 your \$150,000, but--but if you are the higher end,
24 you're going to want to actually get maybe 20 times
25 to pay for every long-term care you could think of.

2 So it's a big range, but it's benchmarked to--to New
3 York standards. However, your--your--what you've
4 asked look at my--look at my chart there. I'm using
5 the Federal Poverty Level. We have people now going
6 into retirement who meet the Federal Poverty Level,
7 but if you use the Council of Economic--the Center of
8 Economic Growth, an organization that New York has
9 had proudly for 25 years with the New School graduate
10 as a Chief Economist, those numbers double. So
11 instead of eight Yankee Stadiums, you have 16 further
12 impoverished New Yorkers. And that I--I used to tell
13 this folks in the--at the federal government. The
14 first line of defense, the first responders are
15 cities and in states. The federal government doesn't
16 provide services for these impoverished elders. They
17 have these bigger programs maybe food stamps, but you
18 are in emergency housing and Medicaid and other kinds
19 of--of senior citizen assistance. We're the first.
20 We're the emergency responders, and that's why it
21 might be very helpful for these other states to move
22 faster if the city that's going to be hit the hardest
23 first moves before everybody else. It makes sense
24 that that would happen here.

2 CHAIRPERSON MILLER: All right, thank
3 you, and one more question about the actual
4 implementation of the plan. Are there any employees
5 that would be exempt from this, and--and by what way
6 would they be exempt from participating?

7 SEWIN CHAN: I think you know all the
8 state--the other plans mentioned, Illinois,
9 California they exempt very small employer, right.
10 Illinois is 25 employees and--or above to be in the
11 plan, and California is five--

12 TERESA GHILARDUCCI: [interposing] [off
13 mic] Yeah, five or ten.

14 SEWIN CHAN: --five or ten Yeah, I think
15 it's five so--

16 TERESA GHILARDUCCI: [interposing] Yeah,
17 yeah and that's just no good. So I would ignore
18 that in New York City because we have such a large
19 population--and James Parrott can speak to this--of
20 self-employed people. And what all these plans,
21 though, do in the states is make it available for
22 self-employed folks. But New York can't ignore that--
23 --that population, and it doesn't want to be exempt in
24 that.

2 JAMES PARROTT: And to cite one of your
3 numbers, Teresa. [coughs] Whereas overall 43% of New
4 York City workers have an employer provided
5 retirement plan, for workers in firms with fewer than
6 100 employees, it's only 20%. So if anything this is
7 exactly the sort of population that you want to
8 target above the others. And you want to figure out
9 how you can address the self-employed also, which is
10 a substantial and growing part of the workforce.

11 TERESA GHILARDUCCI: And--and you know,
12 we're not exempted from Social Security. So if you
13 think of this as an add-on account to Social Security
14 if the federal government won't expand it, then it--
15 then it makes sense not to exempt any more.

16 SEWIN CHAN: Well, they're not exempt fro
17 payroll withholding for tax purposes. So, there's--
18 there are mechanisms by which you could piggyback on
19 already.

20 JAMES PARROTT: And the entire course of--
21 --of managing--managing the fund and its
22 implementation would be borne by the city?

23 SEWIN CHAN: Ultimately, it would be
24 borne by the account holders, but it would be low.

2 CHAIRPERSON MILLER: So, if there are
3 some costs associated with even the implementation,
4 just getting it up and running, recording and so
5 forth--

6 TERESA GHILARDUCCI: In all the state
7 plans it's conceived that the account holder will pay
8 it. They pay it now. It would just be a lot better
9 deal than a 401(k) or IRA. So, it--the first thing,
10 you'd be surprised that states say is there will be
11 no fiscal impact on the state. No risk to the state.
12 No responsibility of the state to make people whole.
13 It's all those risks and those costs of
14 administration fall on the account holder. But the
15 state and city have important responsibility to use
16 your bargaining power to keep those costs low, and
17 the transparency to keep them honest.

18 CHAIRPERSON MILLER: Okay, thank you.
19 Okay.

20 PUBLIC ADVOCATE JAMES: So, you--you
21 indicated--is it possible that local jurisdiction can
22 do this, or would it have to come from the state? Do
23 you think New York City has the power to do this on
24 its own.

2 TERESA GHILARDUCCI: You would have to
3 cooperate with the state, as I understand the home
4 rule.

5 PUBLIC ADVOCATE JAMES: Yeah.

6 TERESA GHILARDUCCI: But I think some
7 cities that are big enough to do it to scale, that's
8 what--that's what's at stake here is scale, and New
9 York City has the scale. So there's nothing about
10 the--the functioning of the program that would
11 preclude a unit like the city. I mean it's much
12 bigger than some of the states that are considering
13 this.

14 PUBLIC ADVOCATE JAMES: And does this
15 also apply to not-for-profits? Are they exempt or
16 are they also included? They're included?

17 SEWIN CHAN: They are included.

18 TERESA GHILARDUCCI: We could include
19 them.

20 SEWIN CHAN: Yeah, I believe we should
21 include them.

22 JAMES PARROTT: Yeah, we definitely
23 should.

24 TERESA GHILARDUCCI: Yeah, they're in
25 Social Security, and they have two legs and arms.

2 JAMES PARROTT: [laughs] As you know,
3 that's a very large sector in New York City.

4 TERESA GHILARDUCCI: Yeah, yeah.

5 PUBLIC ADVOCATE JAMES: And is there any-
6 -in the--in these other jurisdictions, is there any
7 limitation on access? Can individuals access their
8 retirement--this fund before they retire or are there
9 penalties.

10 TERESA GHILARDUCCI: There are some of
11 these programs that are considering no withdrawals at
12 all.

13 PUBLIC ADVOCATE JAMES: No withdrawal.

14 TERESA GHILARDUCCI: That's some. We're
15 considering them on a national commission now, the
16 Bipartisan Policy Commission on Retirement Savings,
17 and that's a very big issue. We're the only country
18 on the planet that allows tax qualified, tax
19 subsidized savings to be withdrawn before retirement.
20 Often, a hardship withdrawal you can drive a kitchen
21 remodeling through a claim of hardship. So it's a
22 pretty good design to actually very much limit or
23 entirely limit pre-retirement withdrawals.

24 SEWIN CHAN: I--I think it's hard to--
25 it's hard to--even if you design the account in such

2 a way that you are allowed to withdraw from it, I'm
3 sure financial institutions will find a way to allow
4 you to borrow against it.

5 TERESA GHILARDUCCI: [off mc] As a
6 collateral loan. [sic]

7 SEWIN CHAN: Yes, as collateral, and
8 that's what a lot of people do now against their
9 401(k) plans. They don't actually withdraw the
10 money, but they take out a loan that's backed by the
11 account. And so, if you really want to avoid
12 leakage, you have to patch that hole as well, and I'm
13 not exactly sure how.

14 TERESA GHILARDUCCI: Except Social
15 Security. You can't--you can't use your Social
16 Security money as collateral.

17 PUBLIC ADVOCATE JAMES: Thank you and the
18 last thing, Mr. Parrott, it's great to see you since
19 my Albany days. It's nice to see you again.

20 CHAIRPERSON MILLER: Okay, thank you.

21 [applause]

22 TERESA GHILARDUCCI: Thank you.

23 CHAIRPERSON MILLER: Thank you to this
24 panel. We've been joined by Council Member Crowley.

2 The next panel will be Bill Samuels, Raymond
3 Santander, Mel Aaronson and Hank Kim.

4 [background comments, pause]

5 CHAIRPERSON MILLER: Okay. Good morning
6 gentlemen. You can begin wherever you'd like.

7 MEL AARONSON: Mr. Chairman, Ms. Public
8 Advocate and members of the City Council--

9 CHAIRPERSON MILLER: Could you--is your
10 mic on?

11 MEL AARONSON: I'm Mel. Aaronson. I am
12 the Treasurer of the United Federation of Teachers.
13 Mr. Chairman, Ms. Public Advocate, members of the
14 City Council, thank you very much for inviting me to
15 testify. My name is Mel Aaronson. I am the
16 Treasurer of the United Federation of Teachers. I am
17 the Co-Chair of the Municipal Neighbor Committee's
18 Pension Committee, and I am the President of the
19 National Council Conference on Public Employee
20 Retirement Systems. And we have recognized this
21 problem for a long time. It's nothing new to us, and
22 we have been working on it for a long time. Our
23 national union, the American Federation of Teachers
24 has passed resolutions on this matter. The National
25 Educational Service Relation has passed resolutions

2 on this matter. The National Council on Teacher
3 Retirement has passed resolutions on this matter.
4 And we are all in support of a program that was
5 developed beginning in the year 2010 by the National
6 Conference on Public Employee Retirement Systems.
7 And our position may be a little different than what
8 has gone on so far in the states. The states that
9 have enacted a public-private partnership have
10 generally enacted a defined contribution type plan.
11 We believe that in order to ensure a dignified
12 retirement and financial security, we probably should
13 have a defined benefit type of plan. And I would
14 like to introduce my colleague Mr. Hank Kim who is
15 going to go into details on that and other matters.

16 HANK KIM: Thank you, Mr. Chairman,
17 Public Advocate James and members of the committee.
18 Thank you for this opportunity to testify. So let
19 me--

20 CHAIRPERSON MILLER: [off mic]

21 HANK KIM: Yeah. So, let me begin with a
22 quick introduction of my organization, of which Mel
23 is the President, the National Conference on Public
24 Employee Retirement Systems. We are the largest
25 trade association for public sector pension plans.

2 We have over 500 members throughout the United States
3 and Canada, and I'm very proud and happy to say that
4 all five of the city plans are members are members of
5 our trade association. So some of you may be asking
6 why is a trade association that is there to advocate,
7 do research on and educate public sector pension
8 plans interested in the private sector? The reason
9 is we feel that we are in a very unique position to
10 offer solutions, be part of the solution and the
11 conversation in addressing retirement insecurity. We
12 recognize that folks in the private sector are facing
13 retirement insecurity, and they would like to have
14 retirement security like many folks in the public
15 sector do like the employees of this great city. So
16 we think that public pensions at its core can be part
17 of the solution. And what we need to do is marry the
18 things that the private sector needs to the core of
19 what public plans offer, which is flexibility,
20 predictability of contributions, portability for the
21 employees, simplicity of administration for the
22 employers and sustainability of the plan. So that
23 it's around for not just the next 20 years, but for
24 the next 200 years and more. So that's why as Mel
25 mentioned we got into this conversation beginning in

2 2010, and we unveiled our Secure Choice Pension White
3 Paper, which you have a copy of in September of 2011.
4 It was essentially a yearlong study, and it brought
5 evaluation for us to develop this proposal.

6 So in terms of what's going on in the
7 city, I think the previous panel did an excellent job
8 of outlining what the city faces. But a couple of
9 things that I would like to point out from my written
10 testimony is on the last page, which is one of the
11 last comments that was discussed, which is yes there
12 is absolutely a correlation between the size of an
13 employer and whether that employer is likely to give
14 or provide an employer sponsored retirement savings
15 to its employees. And it's the third chart, and what
16 you can see is that for employers who have under ten
17 employees, 84% do not provide a retirement plan for
18 their employees and these--this is data for New York
19 City. For those under 50, it's 64%, and those
20 employers with less than 100 employees it's 54% of
21 employers do not provide employee sponsored plans.
22 So again, the point being is this is exactly the
23 demographic that you should tackle, and I think makes
24 a lot of sense because let's face it, there's going
25 to be politics involved. And if we can limit the

2 scope of a city-sponsored proposal to the market
3 where the private sector isn't currently being
4 served, that's the market I think that will have the
5 least amount of resistance. So again, small
6 employers you get the biggest bang and the least
7 amount of political resistance.

8 So, you know, a number of people have
9 talked about the lack of savings in the aggregate,
10 and it is really not a mind warming set of numbers.
11 Congress or Council Member Kallos mentioned \$7.7
12 trillion. Actually, I think that's a low estimate.
13 I've heard estimates of upwards of \$14 trillion from
14 the National Institute of Retirement Security. And
15 again, so when you hear these numbers in the
16 aggregate, it almost makes you paralyzed because into
17 inaction because it is so large. But the fact of the
18 matter is if we again focus on demographics and
19 spreading out the demographics there's a big crutch
20 that we can rely on, which is Social Security. So
21 for those--and obviously everybody knows that folks
22 in the private sector if you're in the--you all get
23 Social Security. And for those who are chronically
24 low-wage earners. So say throughout your lifetime
25 you've earned only about \$20,000 a year, Social

2 Security places 60% of your income in retirement. So
3 for those people we're only talking about a 20%
4 difference in what they need to have in order to
5 maintain their standard of living. So it's doable.
6 Even though the numbers in the aggregate are huge,
7 it's really doable. And so, as a number of people
8 mentioned, 11 states have enacted legislation to move
9 forward on this. Four of this 11 have enacted
10 substantive enabling legislation to [bell] move
11 forward, and the remaining six or seven are studies.
12 But, you know, so when New York City looks at this,
13 certainly New York can be the 12th entity, but I
14 think New Yorkers you guys don't want to follow. You
15 guys want to lead, right? You're in New York. You
16 guys are New Yorkers and you want to lead, and that's
17 why we think there are a number of things you should
18 consider as you study this proposal or as you form a
19 study commission. First is take a serious look at
20 our Secure Choice Pension White Paper. It is a
21 variation of the Defined Benefit Pension Plan. It is
22 the most vigorously tested and modeled plan out
23 there. And so we highly consider--suggest that you
24 take a look at it as you move forward.

2 Second, as the previous panel mentioned,
3 don't be afraid of ERISA. ERISA can be a friend.
4 There are two issues with ERISA. There is the issue
5 of preemption, and there is issue of ERISA fiduciary
6 duties. The preemption is something that you should
7 be concerned about, but fiduciary duties it's not.
8 The fiduciary duties protects the participants and
9 you need that. The preemption we can talk about
10 further in the--in the question and answer. And then
11 lastly, our organization in conjunction with the
12 National Conference on State Legislature, we're going
13 to be hosting a half day seminar on state initiatives
14 on retirement security. We're calling it our SIRS
15 Symposium. It's on August 6th in Seattle, Washington
16 again in conjunction with the NCSL, and we're going
17 to be exploring all these issues again about ERISA,
18 about what the Federal Department of Labor would like
19 to see, and what other states are doing. So it's a
20 free registration, and we encourage this body and
21 other members who are interested in retirement
22 security to participate. Thank you.

23 RAYMOND SANTANDER: [coughs] Okay.
24 [laughter] Right. Okay. Good morning. I'm Raymond
25 Santander, and Associate Director--Assistant Director

2 of Research and Negotiations of District Council 37.

3 I'm here today representing our Executive Director

4 Henry Garrido who couldn't be here this morning and

5 sends regrets. Mr. Garrido wishes to express DC37's

6 strong support for this bill, which would establish a

7 Retirement Security Review Board that will assess the

8 feasibility of establishing retirement security

9 program and fund for private sector workers. The

10 time to establish a retirement security program

11 private sector workers in New York City is long

12 overdue as only a fraction of private sector workers

13 have a traditional defined benefit plan, and many

14 private sector workers either contribute to high fee

15 401(k) plans or have no retirement savings vehicle at

16 all. The idea of establishing a retirement security

17 program for private workers first gained traction in

18 California with the passage of the Secure Choice

19 Retirement Savings Program, and it is time to

20 seriously study such a program for New York City's

21 millions of private sector workers.

22 District Council 37 with 100,000 active

23 members and over 50,000 retirees is a trustee of

24 NYCERS, the New York City Employees Retirement

25 System. As a NYCERS trustee, District Council 37

2 deals on a continual basis with retirement matters
3 and works with the Comptroller's staff and the other
4 system trustees to ensure adequate funding for the
5 pension system so that benefits will be available for
6 current and future retirees. At DC37, we know full
7 well how important retirement security is for our
8 members. Without their modest pensions, many of our
9 retirees would lead lives of poverty. The average
10 DC37 retiree has about a \$19,000 per year pension,
11 which with Social Security give them retirement
12 benefits of about \$31,000 a year, which in an
13 expensive city like New York would barely make ends
14 meet. And while our members have a modest pension
15 and other retirement benefits to help them live a
16 retirement with dignity, the overwhelming majority of
17 private sector workers no longer have a defined
18 benefit pension. And must rely on expensive high fee
19 401(k) plans a primary retirement vehicle, whatever
20 savings they have and Social Security, which replaces
21 only a small fraction of worker's wages. Other
22 workers even lacking even a 401(k) program have no
23 retirement savings vehicle at all.

24 The result of the virtual elimination of
25 defined benefit plans in the private sector and their

2 substitution with high cost inadequately funded
3 401(k) plans is the rapid growth of retirees, and
4 those expected to retire in the next decade, the Baby
5 Boomers with inadequate retirement income. This
6 trend will have enormous consequences for this city
7 and for society as a whole. Given these very
8 important issues, we welcome this bill as a way to
9 promote serious discussion surrounding retirement
10 security and to examining carefully the best options
11 for enhancing security for our fellow workers in the
12 private sector. We strongly believe the work of this
13 board will be essential in advancing retirement
14 security here in New York. One of the ways to proceed
15 in crafting a retirement vehicle for private workers
16 of New York is to adapt features of the California
17 Secure Choice Retirement Savings Program that would
18 allow individual workers to have portable accounts
19 that would be invested alongside public pension
20 money. The retirement funds of public sector
21 employees enjoy the advantages of low fees, exposure
22 to different asset categories, diversification of
23 risk and access to the best financial managers.
24 Allowing private workers to invest alongside public
25 pension funds would provide them many of these same

2 advantages and low fees. And low fees would allow
3 for more rapid growth of their retirement capital.
4 However, before we can proceed with such a retirement
5 plan in New York we must first begin to study the
6 issue, [bell] speak to experts in the field and gain
7 input from the many stakeholders involved. The board
8 and the recommendations it stands to make can be
9 transformative to the lives of literally millions of
10 workers in this great city. We reiterate our strong
11 support for this bill. Thank you.

12 [pause]

13 BILL SAMUELS: Chairman Miller and other
14 members of the committee including Ben Kallos, my old
15 friend, and Public Advocate James, it's my pleasure
16 to testify today on behalf of the non-profit watch
17 dog and public policy think tank Effective New York.
18 Morgan, I want to thank you for the longest
19 description of what we do that I've ever had to read.
20 But anyway, first of all, I want to congratulate the
21 City Council. The budget that was reached last night
22 I thought was historic, but let me tell you from my
23 point of view what I saw last night. This is the
24 best City Council in my lifetime. I'm very, very
25 proud of you all, and though my efforts have been

2 geared historically towards reforming Albany, I
3 challenge you in 2018 many of you that will be term
4 limited to run for the Legislature so that after
5 2018, the spirit of the New York City Council and its
6 transparency and progressive thinking can finally
7 change Albany. And I think you all should be very,
8 very proud. Second of all, I want to criticize Costa
9 who did not stay because I remember him as a young
10 man, and we were doing all sorts of things together,
11 and to see him on the City Council I was truly
12 looking forward to testifying before him today.
13 Because I have tremendous respect, and certainly the
14 library authorization that was passed yesterday he
15 has to take a lot of pride in. And I thank Ben
16 Kallos, who started with me in I don't know 2012 or
17 something as my Executive Director of Effective New
18 York working on this policy.

19 Let me start with how I came to this
20 issue. I'm a businessman, and I'm going to focus on
21 why this is good for business today. I currently run
22 small businesses, but I've also run public companies
23 traded on NASDAQ and traded on the UK Exchange. And
24 I got into this issue when I went to another large
25 city in New York State, Canandaigua, New York.

2 That's where I went to high school, and I was with
3 all my high school buddies, and many of whom had
4 stayed in the city. We were all comfortable. We all
5 had DBAs and then they started talking about their
6 kids, and if you're from Upstate New York and
7 Rochester, Kodak has left. The jobs aren't there,
8 that their kids if they had 401(k)s were lucky. Many
9 were living with them at home, and I had not even
10 thought about this issue, but in that small
11 environment, the contrast was so stark that on the
12 way home I said, something is wrong here. And I
13 combined that with my deep anger at the national
14 attack on public pension funds. I mean come on,
15 guys. The average public pension retiree isn't
16 making a fortune. There's a few abuses. Fine, clean
17 them up, but the resentment I felt very strongly.
18 And that's how I got into this issue. My public
19 company that I got a DBA on, re-contributed 15% of
20 the employee's salary toward their retirement fund.
21 That's a big number. Now, you had to be there ten
22 years. You didn't get it day one. It vested over
23 time. So it encouraged you not to quit, and believe
24 me, at times I thought I'd like to do something else.
25 But the fact is I asked myself what happened here,

2 and what happened here was Ronald Regan and those of
3 us that fought in the '60s. We'd won all the
4 battles, we've gotten pushed back. Enough is enough.
5 And this effort that can be led by an innovative New
6 York City Council is the beginning of our pushback.
7 So let me cover a couple of things from a business
8 point of view, and also a political point of view
9 that have not been covered.

10 One, we have a tremendous political job
11 to do. Comptroller Stringer with Teresa on the panel
12 has set up an excellent study group. I've met with
13 Scott Evans and he has said to us, he may even come
14 up with something better and more creative than has
15 been done in Oregon, Illinois or California. So we
16 look forward to looking at what they do and we thank
17 the Comptroller and Scott Evans for their committee.
18 But we have a tremendous education job to do. Over
19 the next year, we've got to go out in Queens, in
20 Brooklyn in Staten Island [bell] and Manhattan and
21 meet with small businesses. So to wrap up, I'd like
22 to make a couple points. One, this is a new billion
23 fund that will create jobs and revenue. Tom DiNapoli
24 sues one \$1.5 billion of the State Pension Fund to
25 reinvest in New York. This new billion dollar fund

2 should re-vest in New York. Second of all, from a
3 business point of view, this is easy. It's automatic
4 enrollment. There's no cost to the employer.
5 Seventy-three percent of the Manhattan members of the
6 Manhattan Chamber of Commerce have less than 10
7 employees. Our business people will love this. Their
8 employees will be happy. They'll have something that
9 employees don't have in New Jersey, don't have in
10 other states. So I'm telling you that the business
11 people I've talked to are excited about this, not the
12 least of which most of the owners of our small
13 businesses don't have any retirement security
14 themselves. So congratulations at the Council and
15 Daneek you're willing to consider this, and we look
16 forward to working with you. Thank you very much.

17 CHAIRPERSON MILLER: Thank you for your
18 enthusiasm and excitement. I'm also really and--and--
19 --and I am also by--by hearing the support from our
20 public employees, I am absolutely encouraged.
21 Actually, I'm proud and as a very near pensioner in
22 the very near future, I'm--I'm also encouraged by
23 those who manage the fund and those hearings on that
24 end knowing that we--there is a bit of security. So
25 I think it was all covered and--and--but certainly

2 from a business perspective you brought it home.
3 Because my question was is there an impact or an
4 unintended impact on the rest of the city that we
5 see? Particularly public employees and those who
6 enjoy some form of deferred compensation after
7 leaving? Is there some negative or unintended
8 consequence to all of these individuals that we
9 anticipate not having this type of compensation in
10 the future?

11 HANK KIM: So, Mr. Chairman, I think
12 there are. You know, I think everybody is familiar
13 with the term "pension envy" for those folks in the
14 private sector who work just as hard--just as
15 diligently as folks in the public sector, and
16 unfortunately due to circumstances do not have
17 retirement security then, you know, they have
18 misplaced anger and resentment. And so I think part
19 of the conversation is precisely about making sure
20 that we raise the floor of retirement security not
21 cave in the roof of retirement security.

22 RAYMOND SANTANDER: Well, thank you. New
23 York City has a deferred compensation plan. As you
24 know, \$15 billion--District Council 37 is a trustee
25 of that plan, and what we find on--in that plan is

2 that 90% of the money is in the accounts of higher
3 paid public employees, primarily cops and firemen.
4 District Council 37 has a lot of very low paid
5 workers, and is a primarily minority union. A lot of
6 women and African-Americans and Latinos. So it's a
7 very difficult educational task to get people and
8 encourage people to enroll. But it argues all the
9 more for educational--for a lot of educational
10 efforts and advocacy efforts to get people to enroll.
11 And I agree with Mr. Kim to the point if we can get
12 more people in the private sector to enroll even if
13 it's \$10 a week the magic of compounding will make
14 and over the years will make that money grow. And it
15 will be something very significant both as an
16 investment in New York City and also to try to narrow
17 the gap in something that's very destructive, which
18 is setting workers that have pensions and retirement
19 security against those that don't. So we think that
20 overwhelmingly it would be a positive thing.

21 BILL SAMUELS: I would like to bring to
22 your attention a story about people standing in the
23 bus line and all of a sudden it starts to rain. One
24 person in that line puts up an umbrella. What are
25 the reactions of the others on that line? Some of

2 them say I wish I had an umbrella, and other say,
3 let's take that umbrella away from the fellow that
4 has it. I think by doing this we're going to make
5 more people say we wish we had a pension and not I
6 want to take it away from others that already have
7 it.

8 CHAIRPERSON MILLER: Thank you again.
9 I'm just proud of your advocacy because you don't
10 have to be here sharing your resources and doing so.
11 But I also believe that it is our responsibility to
12 lift up the brother community around us. And
13 certainly I know that organized labor has that--those
14 resources. But we don't have some building trade
15 folks who are engaged in multi-employee plans, and I
16 would love to kind of have that talked about as well.
17 But for some of your younger workers, and that's
18 always a problem whether or not they're at the lower
19 or higher end of the ladder in terms of wages. They
20 just don't see retirement in the immediate future so,
21 therefore, it's not that priority. But in order for
22 this to work, it has to begin early and you have to
23 get buy-in from the multitude. How would you propose
24 to encourage those individuals to participate in the

2 plan? Or, if there were not a mandate for them to be
3 enrolled?

4 RAYMOND SANTANDER: [coughs] I would--
5 one--one idea comes from the Public Advocate as a
6 Trustee of NYCERS sees as do I who also attend
7 meetings. Folks that are members of the pension
8 system I believe after six months of city employ have
9 to join the pension system. So there's--there's a
10 requirement to join their members for ten years. My
11 own son who's a city park worker 20 years old I
12 guarantee you he's the only member of his group of
13 friends that's in a job--that has a job with a
14 pension plan. He doesn't realize the importance of
15 that, and the 3% that comes off his salary he
16 certainly doesn't miss. So I think that there's a
17 way to educate people to say even something like 3%
18 is really not a lot of money on a weekly basis
19 especially if it can be done with the tax benefit or
20 pre or post. Whatever the advantageous use of the
21 tax law is. It's--it's not a lot of money especially
22 when it comes off the top. For example, myself as a
23 DC37 employee I have mandatory contributions into the
24 AFSCME Pension Fund. So I think it's important to
25 urge people or even mandate that--that people

2 participate. It's something just pays tremendous
3 benefits, and what we have seen in NYCERS and the
4 Public Advocate and myself have seen, cases where
5 people come up for--trying to get an upgrade on a
6 disability pension. And don't have enough time in
7 the pension system to qualify and--and that is the
8 case where sometimes where they just didn't join.
9 They were provisional employees and simply didn't
10 join and it's a--it's a terrible thing even a
11 heartbreaking thing for--for trustees to try and want
12 to help a retiree who really needs, but those
13 individuals didn't join. So joining in every case is
14 better than not joining I feel.

15 BILL SAMUELS: I want to make a quick
16 point. We should not underestimate the importance of
17 giving dignity to work. And what this Retirement
18 Security Plan can do is make a worker and his family
19 proud not feel they're just living day to day. And I
20 think by passing a bill like this, we encourage
21 family and we encourage the dignity of work.

22 HANK KIM: So, Mr. Chairman, I think it's
23 Albert Einstein who was credited with the statement
24 that the most powerful force in the universe is the
25 magic of compounding interest. Which goes to your

2 point about trying to enroll people early, right. So
3 you raise a very good point. Under the current legal
4 rubric, it's the--it's very tricky. If you--if you
5 make it mandatory, then whatever plan that a state or
6 city sponsors is subject to preemption. It has to be
7 voluntary among other things. So while, you know,
8 most experts who agree that in order to get younger
9 employees enrolled you should try to make it a
10 mandatory or at a very minimum make an opt out versus
11 an opt in. But again, under the current ERISA
12 rubric, if you make it an opt out or mandatory it--
13 you would expose the city sponsored plan to pre--
14 ERISA preemption. So I think it goes back to the
15 point of education--to your point.

16 CHAIRPERSON MILLER: Okay. Thank you to
17 this panel so much for-- Sure. I'm sorry.

18 COUNCIL MEMBER KALLOS: Thank you so very
19 much for your testimony today. One quick question
20 from--for Hank. Your Albert Einstein quote, did you
21 hear that on Civilization V by any chance.

22 HANK KIM: [laughs] I think it just
23 comes part and parcel with being in the pension
24 industry.

2 COUNCIL MEMBER KALLOS: No worries. It's
3 a--I may or may not play a video game called
4 Civilization V, and it's one of the quotes that they
5 use. That being said, just to give some perspective,
6 we're talking the--these retirement deficits and
7 according to your testimony between \$6.6 trillion and
8 \$4.5 trillion. Why is this happening now, and why
9 did you start the work in 2010 of--by the way, it's
10 great to actually have this in physical form instead
11 of PDF. But why are you proposing Secure Choice
12 Pension as the third leg? What happened to that leg?

13 HANK KIM: So I think it's a combination
14 of issues. So the--the savings deficit, and why
15 pension disappeared in the private sector are all
16 inter-related. So, it's--it's a combination of--of
17 ERISA and some of the fiduciary burdens it placed on
18 employers. It's also a combination of changes in
19 private sector accounting rules that happened in the
20 '90s. And then it is also a combination of Congress
21 enacting 401(k) savings as a supplement to high--
22 highly compensated executives. But then morphing
23 into what it is currently, which is sort of the
24 default standard for savings in the private sector.
25 And the--the problem is because it is 401(k) and it

2 is voluntary, there are not enough people, you know,
3 saving in the 401(k) plans.

4 COUNCIL MEMBER KALLOS: So in one of the
5 testimonies we received a chart and this is from
6 Effective New York in terms of the drop in New York
7 City sponsored plans. If you could just speak a
8 little bit to that for the record, there's a slide at
9 the end, which indicates that while in the '80s the
10 employer pension sponsorship rate was in the high
11 50s--in the mid-50s. It's actually dropped
12 significantly since then.

13 BILL SAMUELS: Ask yourself if you had a
14 business like my business that was contributing 15%
15 of an employee's salary to his DBA, and the movement
16 in the country based on Regan and others changed and
17 401(k)s came into account. And you're going to your
18 shareholders. You're going to your other investors,
19 and by simply switching to a 401(k), how many
20 executives are willing to stand up and say, I'll
21 continue to put 5, 10 or 15% of my money into the
22 employee? So, what's happened is we've glorified
23 these 401(k)s. They failed. We have to attack it
24 frontally. We're going to have opposition fro the
25 401(k) industry. This pooling concept that we're

2 considering in New York City is only the first small
3 step of a counter attack. Eventually, and that's why
4 I like Secure Choice, there--you have to eventually
5 segue to a defined benefit. So when someone retires
6 they know what that check is coming in everyday. So
7 this is going to be a long battle, but when we have
8 allowed our companies' CEOs to think it's okay, in
9 fact it's even good, to drop their contribution from
10 employees, and they don't get any anger, any
11 pushback, that's what happened here. It's happened
12 in New York City, but it's happened all over the
13 country.

14 COUNCIL MEMBER KALLOS: As a private
15 sector person on this panel, you spoke about your
16 experience as a small business person or large
17 business person with companies on NASDAQ, but over
18 the years--over the years that you've advocated for a
19 savings plan of this nature, what has been the
20 response from other business owners to this approach?

21 BILL SAMUELS: Well, I think--I think you
22 can break it into two segments. For those small
23 businesses 73% of Manhattan's Chamber of Commerce
24 members and less than 10 employees--And recently we
25 went out and we talked to those small businesses.

2 There wasn't one that didn't say I'd love to do this.
3 Okay, it's something positive for my employees.
4 Something I can offer them. The 401(k)s are too
5 expensive for me. I can't figure them out. I don't
6 have time. I can't take any extra paperwork as a
7 small businessman. But more interesting almost all
8 of them say, by the way, we have no retirement
9 savings. We would love to participate. I think
10 we're going to find as Tish James and our borough
11 presidents go out in the communities and hold forums
12 with small business, and that's the major work of
13 this Review Committee is to go out in the field.
14 We're going to have tremendous support from not only
15 labor, but more importantly from the workers out
16 there and from the businesses. And that's a key--key
17 thing we have to do here.

18 I would like to just make a point since
19 no one has answered it yet. Tom DiNapoli has always
20 been a big supporter in early involvement here, and
21 I--I don't know if Colleen Gardner is still here, but
22 raise your hand and I really appreciate Tom sending
23 someone here. And like Pre-K, which started off as a
24 city program, we eventually had a state program. And
25 as we develop in the city, and we figure out how to

2 work from the state, none of us will be upset if New
3 York City's program gets adopted by the state as a
4 whole. But the fact is New York City is twice the
5 size of Oregon. If Oregon can do it, we can do it.
6 Plus, as I said, we have the best City Council in my
7 lifetime. Therefore, that's why I'm here.

8 HANK KIM: So, if I may, let me just
9 underscore a--a point that Bill raised, which is, you
10 know, the perspective of small business owners. So
11 when we launched our Secure Choice Initiative back in
12 2011 we did a national poll of 500 small business
13 owners. And we followed that up in 2012 while
14 California was going through its legislative process,
15 and polled 505 small business owners in California.
16 Both those polls came up with basically the same
17 results, which were of the small business owners that
18 we polled, there were 80--over 80% of them said that
19 they were interested or they liked the concept of
20 Secure Choice. What's more convincing is 69% of them
21 said if it was currently available, they would take a
22 serious look at implementing it for themselves and
23 for their employees.

24 PUBLIC ADVOCATE JAMES: Seeing no further
25 questions, I thank this panel for their testimony.

2 Thank you so much. We were joined by Council Member
3 Cornegy and I now call the members of the last panel.
4 From DEMOS Robbie Hilton--Hiltonston. I'm sorry if I
5 mispronounced your name. Jose Hernandez from New
6 York Communities for Change, and Ruben Tratti also--
7 Trati also form New York Communities for Change.
8 Please joint us.

9 COUNCIL MEMBER KALLOS: [off mic] Are you
10 going to chair any hearings? [sic]

11 PUBLIC ADVOCATE JAMES: I have the
12 Council--the Stated Council. You can choose amongst
13 you and you can begin to testify? Thank you.

14 TRANSLATOR: I will translate for Jose.

15 JOSE HERNANDEZ: Hello. [Speaking
16 Spanish]

17 TRANSLATOR: Good day.

18 JOSE HERNANDEZ: [Speaking Spanish]

19 TRANSLATOR: My name is Jose.

20 JOSE HERNANDEZ: [Speaking Spanish]

21 TRANSLATOR: Hernandez.

22 JOSE HERNANDEZ: [Speaking Spanish]

23 TRANSLATOR: I represent New York
24 Communities for Change.

25 JOSE HERNANDEZ: [Speaking Spanish]

2 TRANSLATOR: In the City of New York

3 JOSE HERNANDEZ: [Speaking Spanish]

4 TRANSLATOR: I thank you for the
5 opportunity to speak.

6 JOSE HERNANDEZ: [Speaking Spanish]

7 TRANSLATOR: For this day with you--

8 JOSE HERNANDEZ: [Speaking Spanish]

9 TRANSLATOR: --and this table.

10 JOSE HERNANDEZ: [Speaking Spanish]

11 TRANSLATOR: I'd like to speak about
12 creating a retirement plan--

13 JOSE HERNANDEZ: [Speaking Spanish]

14 TRANSLATOR: --for the workers of New
15 York City.

16 JOSE HERNANDEZ: [Speaking Spanish]

17 TRANSLATOR: We understand--

18 JOSE HERNANDEZ: [Speaking Spanish]

19 TRANSLATOR: --we need to work to create
20 conditions that are more favorable for the workers of
21 New York City.

22 JOSE HERNANDEZ: [Speaking Spanish]

23 TRANSLATOR: Because at this moment there
24 is no retirement security.

25 JOSE HERNANDEZ: [Speaking Spanish]

2 TRANSLATOR: We need for those conditions
3 changes.

4 JOSE HERNANDEZ: [Speaking Spanish]

5 TRANSLATOR: Because in this time--

6 JOSE HERNANDEZ: [Speaking Spanish]

7 TRANSLATOR: --so we work for many years
8 serving the city, but we don't have any retirement
9 security.

10 JOSE HERNANDEZ: [Speaking Spanish]

11 TRANSLATOR: We don't have the security
12 know we can stay in our homes--

13 JOSE HERNANDEZ: [Speaking Spanish]

14 TRANSLATOR: --and care for our children.

15 JOSE HERNANDEZ: [Speaking Spanish]

16 TRANSLATOR: We need to create a
17 solution--

18 JOSE HERNANDEZ: [Speaking Spanish]

19 TRANSLATOR: --and we're able to do this.

20 JOSE HERNANDEZ: [Speaking Spanish]

21 TRANSLATOR: --and permit the workers--

22 JOSE HERNANDEZ: [Speaking Spanish]

23 TRANSLATOR: It's not just a problem
24 here. It's a problem in the whole country.

25 JOSE HERNANDEZ: [Speaking Spanish]

2 TRANSLATOR: We're able to create a more
3 secure and tranquil real estate. [sic]

4 JOSE HERNANDEZ: [Speaking Spanish]

5 TRANSLATOR: And we build a retirement
6 home with this kind of security.

7 JOSE HERNANDEZ: [Speaking Spanish]

8 TRANSLATOR: For example, my house--

9 JOSE HERNANDEZ: [Speaking Spanish]

10 TRANSLATOR: --I work in a restaurant--

11 JOSE HERNANDEZ: [Speaking Spanish]

12 TRANSLATOR: --and I work ten hours.

13 JOSE HERNANDEZ: [Speaking Spanish]

14 TRANSLATOR: I've been working ten hours
15 for years.

16 JOSE HERNANDEZ: [Speaking Spanish]

17 TRANSLATOR: But I don't have--

18 JOSE HERNANDEZ: [Speaking Spanish]

19 TRANSLATOR: --the security--

20 JOSE HERNANDEZ: [Speaking Spanish]

21 TRANSLATOR: --after working all these
22 years--

23 JOSE HERNANDEZ: [Speaking Spanish]

24 TRANSLATOR: --from the owners of the
25 restaurant.

2 JOSE HERNANDEZ: [Speaking Spanish]

3 TRANSLATOR: Right now there doesn't
4 exist a solution--

5 JOSE HERNANDEZ: [Speaking Spanish]

6 TRANSLATOR: --for all the workers.

7 JOSE HERNANDEZ: [Speaking Spanish]

8 TRANSLATOR: If we can do this for the
9 workers of New York, hopefully then they could have a
10 little bit of--a little bit more peace--

11 JOSE HERNANDEZ: [Speaking Spanish]

12 TRANSLATOR: --just to retire.

13 JOSE HERNANDEZ: [Speaking Spanish]

14 TRANSLATOR: It's a problem not just for
15 myself, but all the workers in New York especially
16 the ones that work in food markers and other low wage
17 jobs--

18 JOSE HERNANDEZ: [Speaking Spanish]

19 TRANSLATOR: --and those who work in
20 restaurants--

21 JOSE HERNANDEZ: [Speaking Spanish]

22 TRANSLATOR: --and people who drive
23 taxis--

24 JOSE HERNANDEZ: [Speaking Spanish]

25 TRANSLATOR: --and many workers overall--

2 JOSE HERNANDEZ: [Speaking Spanish]

3 TRANSLATOR: --understand--

4 JOSE HERNANDEZ: [Speaking Spanish]

5 TRANSLATOR: --we've got to create a
6 solution to this problem if we can now.

7 JOSE HERNANDEZ: [Speaking Spanish]

8 TRANSLATOR: We see if you're able to do
9 this, you'll do this.

10 JOSE HERNANDEZ: [Speaking Spanish]

11 TRANSLATOR: Work with--work with the
12 workers to create a solution--

13 JOSE HERNANDEZ: [Speaking Spanish]

14 TRANSLATOR: --for our families--

15 JOSE HERNANDEZ: [Speaking Spanish]

16 TRANSLATOR: --to be able to have a
17 little peace.

18 JOSE HERNANDEZ: [Speaking Spanish]

19 TRANSLATOR: We're working to better--

20 JOSE HERNANDEZ: [Speaking Spanish]

21 TRANSLATOR: --the minimum wage--

22 JOSE HERNANDEZ: [Speaking Spanish]

23 TRANSLATOR: --for the workers--

24 JOSE HERNANDEZ: [Speaking Spanish]

25 TRANSLATOR: --to \$15.00.

2 JOSE HERNANDEZ: [Speaking Spanish]

3 TRANSLATOR: But this amount isn't
4 sufficient.

5 JOSE HERNANDEZ: [Speaking Spanish]

6 TRANSLATOR: It doesn't matter if it's
7 \$15, \$20 or \$25--

8 JOSE HERNANDEZ: [Speaking Spanish]

9 TRANSLATOR: --if we don't have a
10 guarantee--

11 JOSE HERNANDEZ: [Speaking Spanish]

12 TRANSLATOR: --for a retirement plan--

13 JOSE HERNANDEZ: [Speaking Spanish]

14 TRANSLATOR: --a retirement plan as in a
15 pension--

16 JOSE HERNANDEZ: [Speaking Spanish]

17 TRANSLATOR: --this adjustment of the
18 minimum wage just won't be enough. We need more.

19 JOSE HERNANDEZ: [Speaking Spanish]

20 TRANSLATOR: We're--we're reaching out to
21 the sensibilities of the powers that be--

22 JOSE HERNANDEZ: [Speaking Spanish]

23 TRANSLATOR: --to do what's just--

24 JOSE HERNANDEZ: [Speaking Spanish]

25

2 TRANSLATOR: --to see what's right and do
3 what's right.

4 JOSE HERNANDEZ: [Speaking Spanish]

5 TRANSLATOR: Thank you.

6 REUBEN TRAITE: Hello. Thank you for
7 taking the time to speak with us and hear our
8 stories. My name is Reuben Traite. I am the
9 Campaign Director for New York Communities for
10 Change. I'm here representing our 28,000 plus
11 members in New York City, many of them low-wage
12 workers, workers just like Jose was talking about in
13 the restaurant industry, in car washes, in
14 supermarkets, who have many fears about retirement.
15 As was said--as Jose was saying, we're fighting to
16 improve conditions for all workers, fighting for a
17 higher minimum wage. Fighting for paid--we're
18 fighting for paid sick days, but these are all steps
19 in the right direction. Our members need some form
20 of security for retirement. We all know that Social
21 Security is barely--it's just the bare minimum. It
22 doesn't really address the needs of a worker
23 especially someone in New York City, one of the most
24 expensive cities in our country to live in. An
25 employer--you know, an employer--it sounds like a

2 great idea when you do the right thing and figure out
3 a way to create more retirement security for our
4 workers here in New York City especially those who
5 are at the bottom who have no--really no access to
6 pensions and 401(k) through employers. This would go
7 a long--it's a great step in the right direction in
8 creating more retirement security and creating a
9 future for some of the lowest paid workers in New
10 York City that our organization represents, and we
11 need the most to step up to the plate and figure out
12 a way to create more security for them and their
13 families. Thank you.

14 ROBBIE HILTONSMITH: Thank you Public
15 Advocate James and members of the Committee on Civil
16 Service and Labor for the opportunity to testify
17 today. My name is Robbie Hiltonsmith, and I'm a
18 Senior Policy Analyst at DEMOS. It's a public policy
19 organization working for America via Albany with an
20 equal say in our democracy and an equal chance in our
21 economy. I'm happy to be here today to testify in
22 support of Intro No. 692-A. This will put New York
23 City on the path to addressing the city's retirement
24 crisis. And I won't repeat statistics, but our folks
25 have talked about who's covered and who's not.

2 Because what I really want to emphasize in my
3 testimony is why such a plan would be important even
4 if people have 401(k)s. Because 401(k)s really are
5 just simply inadequate to be the supplement to Social
6 Security. And I want to focus my testimony on those
7 inadequacies in the 401(k)s. So nationwide we know
8 40% of families approaching retirement have nothing
9 saved for retirement, these families 55 to 64. And
10 70% have less than \$100,000 in retirement savings.
11 One of the major reasons why is the 401(k) itself,
12 that the risks borne by savers and high fees charged
13 by these plans make them really completely unsuitable
14 to be this vehicle. And that's why we need something
15 else to replace this even for these workers with
16 401(k)s. So a few of these risks and we'll talk
17 about fee. So when the stock market plunged,
18 exposure to markets called 401(k)s and IRAs to lose a
19 total of \$2 trillion forcing many to postpone and
20 rethink retirement, which then, of course, has an
21 affect on the economy as well. Rising life
22 expectancies have put more workers at risk about
23 outliving their retirement savings. In part because
24 401(k)s effectively force people because they're, you
25 know, a lump sum to estimate their post-retirement

2 life expectancies. Which is I guess I could say a
3 morbid and nearly impossible proposition for most
4 savers. Leakage, which a lot of people have
5 mentioned. These pre-retirement hardship withdrawals
6 and, you know, when people cash out their balance at
7 job change. These are actually a huge problem. One
8 estimate shows that they sacked about \$140 billion
9 from people's accounts in 2010. These younger, you
10 know, pre-retirement people's accounts, and this
11 offset about 40% of all their contributions to the
12 accounts. So finally, people are at risk of
13 contributing too little to these accounts either
14 because they're simply not earning enough, which is
15 kind of an overarching problem that we're not really
16 talking about here. They don't trust 401(k)s or
17 financial markets, or they don't have the financial
18 literacy to know how to really navigate this
19 incredibly complex 401(k) system. So the plan we're
20 talking here, and you and I can talk more about what
21 features would address this, but it could address any
22 and all of these--these problems. So finally fees.
23 A variety of fees charged by funds available in
24 401(k) plans also significantly hinder their workers'
25 efforts to save for retirement. Because these fees

2 these include administrative, investment management,
3 marketing, trading fees, and you know, they're
4 largely paid through a fund's expense ratio, which
5 they're deducted before returns. So people don't
6 even see them and often don't know they're there, and
7 thus, you know, don't really realize how much they're
8 affecting their retirement prospects. However, the
9 cost can be substantial. They can cost 1% or more of
10 assets per year, particularly if they're invested in
11 these actively managed funds instead of passively
12 managed index funds, which many people are in these
13 actively managed funds. Over a lifetime, these fees
14 can add up to a significant chunk of a worker's
15 savings. According to DEMOS' estimates, for an
16 average two-member household that saves steadily
17 throughout its working life, 401(k) fees can add up
18 to nearly \$155,000 in fees and lost returns by
19 retirement to reduce the--reduce the size of their
20 nest egg by 25%. So these--all these fees and risks
21 I just talked about I think make a convincing case
22 that really 401(k)s are a failure. And even a lot of
23 workers with 401(k)s need a replacement to that, and
24 this is something that this bill could do. It could
25 create a simple secure portable low fee account. And

2 this account would help millions of New Yorkers avoid
3 poverty and decline, and I really hope New York
4 really moves forward with this effort. Thank you.

5 CHRIS WIDELO: Hi, Good morning.

6 CHAIRPERSON MILLER: Chris Widelo.

7 CHRIS WIDELO: I'm the Associate State
8 Director for Government Relations and Advocacy here
9 in New York for AARP. We're a membership
10 organization that represents Americans 50 and older.
11 We have about 2.5 million members in New York State,
12 and nearly three-quarters of a million members here
13 in the five boroughs of New York City. I would like
14 to thank you for the invitation to speak and provide
15 comments on Intro 692-A via Public Advocate James and
16 Council Member Miller and several others. You know,
17 this is a good bill to establish a Retirement
18 Security Review Board. I would like to submit the
19 following testimony and emphasize what AARP believes
20 is a significant retirement savings problem facing
21 New Yorkers. The numbers that are referenced by the
22 sponsors in its legislative findings section of the
23 bill are real cause for concern. By 2035, there
24 could be more than 644,000 plus retired senior New
25 Yorkers living on less than \$540 a week rising to

709,000 by the year 2040. Most New Yorkers post to retirement age have less than \$100,000 saved, hardly enough for retirement in this day and age. And 30% have less than \$10,000 put aside. AARP has undertaken significant research in the area of retirement security and has found both state and national statistics also indicate a troubled retirement savings problem across our state and country.

AARP produce a Public Policy Brief on Workforce Retirement plans that clear shows a lack of access to employer sponsored plans for people saving for retirement, a critical vehicle to encourage savings. As you know, this issue affects many people, but our national research revealed substantially difference impacts by race and ethnicity. About two and three Hispanic workers and roughly half of African-Americans and Asian-Americans lack access to an employer provided retirement plan. Minorities accounted for about 41% or 22 million of the 55 million employees without a workplace retirement plan. Additional data points concerning race and retirement savings are also included. In general, looking at statewide numbers here in New

2 York, the retirement savings picture does not change
3 much. The average 401(k) account balance in New York
4 is \$30,000 or almost \$31,000. 55.9% of private
5 workers or over 3.6 million are not offered [coughs]
6 the workplace retirement plan through their employer.
7 Less than half of private sector workers are
8 participating in a workplace retirement plan, and the
9 average Social Security benefit of a New Yorker when
10 they retire is about \$15,500. So AARP believes that
11 there is no downside for a city or a state government
12 to assess the current and the future retirement
13 situations of its residents and identify any possible
14 solution that might exist. I would like to take this
15 opportunity to provide with AARP's policy in this
16 area that we are advocating not only in New York
17 State but across the country. First, we know that
18 AARP research--from AARP research that workers are 15
19 times more likely to save for retirement if their
20 employer offers a plan. It is critical that we
21 encourage people to plan and save for retirement, and
22 ensure they can easily do so. The more people that
23 save money--save their own money for retirement the
24 more likely they will remain financially independent
25 and not rely on public assistance. AARP believes

2 that the best way to encourage people to put their
3 own money away is through a workplace retirement
4 savings plan, which we call Work and Save. Simply
5 having access to a retirement plan at work increases
6 savings rate by a stagger 1300%. AARP has some
7 guidelinning principles for Work and Save. I know
8 that they are included in the written copy of the
9 testimony that you have. They focus on promoting
10 financial freedom, giving Americans a choice, give
11 employees control, save the taxpayer dollars and
12 providing no risk. We believe that Work and Save
13 plans benefit all parties. They benefit businesses
14 by allowing them to offer competitive benefit to
15 their employees through retirement savings options.
16 They benefit taxpayers because there are no ongoing
17 government costs. And with more people able to save
18 for retirement fewer will be in need of taxpayer
19 funded services. But not least, they benefit
20 employees by offer choice. The employees can decide
21 if they want to contribute and how much, and they can
22 take their savings plan from job to job, which is
23 important. So I want to thank you again for this
24 opportunity to speak today, and we believe that if
25 millions of people here in our city and state do not

2 save enough to be self-sufficient in retirement,
3 undoubtedly many will turn to government for safety
4 net services, which all know could be very costly or
5 a costly proposition for all taxpayers. We need to
6 give our government--we need our government to help
7 facilitate retirement [bell] savings for people very
8 similar to how government helps people save for
9 college cost through the State's 529 plan. So thank
10 you very much, and I appreciate the opportunity to be
11 here today.

12 CHAIRPERSON MILLER: Thank you and thank
13 you to the panel for coming out, and I would also
14 like to just thank everyone who participated and
15 everyone who showed who think this is important
16 enough to take part in this hearing today. It's
17 something that obviously that has been long overdue,
18 something that we have not been engaging in this type
19 of conversation, but we want to stay ahead of the
20 curve on this looming crisis. And obviously, we
21 brought some of the best minds in-in the city and
22 surrounding are to the table today. And with the
23 passage of this legislation, we will put this--we
24 will be able to put this board together and begin to
25 solve the problem so that our seniors have an

2 opportunity to enjoy the quality of life that they
3 deserve in the future. So again, I thank everyone
4 for coming out. With that, this hearing is
5 adjourned.

6 [gavel]

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C E R T I F I C A T E

World Wide Dictation certifies that the foregoing transcript is a true and accurate record of the proceedings. We further certify that there is no relation to any of the parties to this action by blood or marriage, and that there is interest in the outcome of this matter.



Date July 2, 2015