

Committee on Labor and Civil Service
June 15, 2016

COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON LABOR AND CIVIL SERVICE

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, June 15, 2016
10:19 a.m.

PRESENT:

COUNCILWOMAN CHERELLE L. PARKER - CHAIR
COUNCILMAN BRIAN J. O'NEILL - VICE CHAIR
COUNCILMAN ALLAN DOMB
COUNCILWOMAN HELEN GYM
COUNCILWOMAN MARIA D. QUINONES-SANCHEZ
COUNCILMAN AL TAUBENBERGER

ALSO PRESENT:

COUNCILMAN BOBBY HENON

RESOLUTIONS: 160105

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2 COUNCILWOMAN PARKER: Let me say good
3 morning to each of you. I want to call this
4 hearing to order. This is the Public
5 Hearing of the City of Council of
6 Philadelphia's Committee on Labor and Civil
7 Service. The purpose of this Committee
8 Hearing is to hear testimony on Resolution
9 No. 160105.

10 I recognize the presence of a quorum of
11 committee members is present. To my left is
12 Councilman Allan Domb, Councilman
13 Taubenberger. To my right is Councilwoman
14 Maria Quinones-Sanchez. And I would like to
15 ask any of the Committee Members, before I
16 make some opening remarks, if any of you
17 have any opening remarks that you want to
18 make for the record?

19 (No reply for remarks.)

20 With that being said, let me ask the
21 clerk to read the title of the resolution
22 for consideration.

23 THE CLERK: A Resolution authorizing
24 Council's Committee on Labor and Civil

1 Service to convene public hearings examining
2 the state of retirement security for private
3 and public sector workers in the City of
4 Philadelphia.

5 COUNCILWOMAN PARKER: Thank you.

6 With that being said, let me just take a
7 moment to thank each and every one of you
8 who are here to testify. We know that some
9 of you have come from near and far to be
10 here today, and we want you to know that we
11 don't take your participation lightly.

12 I also wanted to state for the record a
13 huge thanks to Andrew Lamas, who is a
14 Philadelphia attorney and educator who
15 introduced me to Jacob Hacker. And in
16 particular, his work, the Great Risk Shift.
17 It sort of lit a fire in my belly about this
18 issue of retirement security and what it
19 means for the overall economic well being of
20 not just our nation and commonwealth, but
21 right here in the City of Philadelphia.

22 You know, public sector pensions are a
23 part of the fabric of our country. You can
24 trace it back to 1776, right, as they were

1 offered by the Continental Congress as an
2 incentive to discourage military desertion.
3 And they sort of grow over time. American
4 Express, the first private sector pension
5 that was established any volunteer in the
6 U.S. But Former President FDR's work as it
7 relates to the 1935 Innovative Act of the
8 creation of Social Security really became
9 the foundation of the first leg and what we
10 refer to as the three-legged retirement
11 stool here in the U.S. And public and
12 private sector pensions became a part of
13 that. And then, obviously, the private
14 savings.

15 I will say that within the last ten
16 years in particular, the concept of public
17 sector pensions has been relative to the
18 unfunded liability and burdens on states
19 across the U.S. We all know about the
20 economic challenges that we face here in the
21 City of Philadelphia. But I've often, you
22 know, questioned what does the state of
23 retirement security look like for residents
24 in the City of Philadelphia.

1 And so, I want to thank you for being
2 here today to hear from regular citizens and
3 experts about what the state of retirement
4 security or insecurity is. I want to thank
5 the Schwartz Center for Economic Policy for
6 their analysis. And they specifically study
7 the City of Philadelphia. I also want to
8 send a special thanks to Kathleen Kennedy
9 Townsend who is here, Lieutenant Governor.
10 I will dare say to you, we watched your work
11 in Maryland. We know that you will also be
12 able to share with us some aspects of the
13 Connecticut plan. So, we really thank you
14 for your presence.

15 And then we have some local and state
16 stakeholders who are here today. I just
17 want to note them for the record. They are
18 Kurt Imhof from U.S. Senator Bob Casey's
19 Office, Kyle Wherrity from Congressman Bob
20 Brady's Office, Stacey Wright from
21 Representative Steve Kinsey's Office, and
22 Mark Collazzo from Representative John
23 Taylor's Office. So as you can see, we have
24 national stakeholders and state stakeholders

1 here. And we have them in a bipartisan
2 manner which is required if there is ever to
3 be any action on this issue.

4 We also want to thank Minister Rodney
5 Muhammad from the NAACP, Mike Banks from the
6 African-American Chamber of Commerce, Pastor
7 Grannum from New Covenant, Michael Rashid
8 from Masjidullah, Sherman Harris from DC 33
9 and Vanessa Fields from DC 47.

10 With that being said, let me call up our
11 first panel which will consist of Naomi
12 Cain, Phyllis Ridenhour and Pamela Walz. If
13 the three of you are present, if you can
14 come to the table. And make sure that
15 before each of you speak, that you identify
16 yourselves for the record.

17 (Witnesses approach Table.)

18 And while they're getting established,
19 let me acknowledge that we have been joined
20 by our Majority Leader Bobby Henon. Thank
21 you, Councilman for being here today.

22 Yes. Please identify yourselves for the
23 record and proceed with your testimony.

24 MS. CAIN: Good morning. My name is

1 Naomi Cain. I will soon be 82 at next
2 month. I live in the Nicetown section of
3 Philadelphia. I raised two children who are
4 now adults. I've been in widow for about 30
5 years. I have worked for most of my life.
6 Once as a practical nurse, licensed back in
7 the early '50s when we didn't have to have
8 license. And I worked at many major
9 hospitals at that time when I could work as
10 a practical nurse without a license.

11 After that, I worked as a clerk at Bell
12 Telephone. And then I worked as a kitchen
13 supervisor for a law firm. We prepared the
14 lunches for the attorneys that were having
15 conferences and so forth and so on. Then
16 for many years, I worked in home care taking
17 care of infants and children as sick adults.
18 I was also a nurse's aide for the elderly
19 for about seven years.

20 I studied off and on for my GED. In the
21 1990s, I went to a program and I finally
22 finished my GED. At that time, I applied to
23 Temple University for social work. They had
24 a program at the time called New Career

1 Ladders for Nontraditional Students. I was
2 56 years old at the time. I got into the
3 program. And I ultimately got a Bachelor's
4 degree when I was 62 years of age in social
5 work.

6 I worked at PCA for a time. I worked in
7 foster care. And latter years I worked at a
8 senior housing project as a service
9 coordinator. I got my Bachelor's January
10 1997.

11 At during the time when I worked, I felt
12 that as an older adult that I was not
13 treated the same as the younger adults on
14 the various jobs that I worked. I now live
15 on Social Security. I get a \$1,028 per
16 month. I am lucky that my home is paid for,
17 but I still really struggle to pay my
18 property tax and other bills. My house
19 needs repairs. I have lived there for over
20 50 years. It needs a new roof, but I do not
21 have the money at the time to pay for that
22 and other works like my kitchen and
23 bathroom.

24 And also, I have to pay for some of my

1 medical bills. Just a little over -- I'm
2 just a little over the income limit for
3 Medicaid. I recently had surgery and
4 cataract -- surgery on my hands and cataract
5 surgery. I have some -- a few hundred
6 thousand that I owe for those surgeries. I
7 also have to pay to go to see my
8 cardiologist and eye doctor. I gotten help
9 from Community Legal Services and from a
10 credit counselor at Clarify to manage my
11 bills and to avoid bankruptcy.

12 It was instilled in me as a child to
13 save by my father. He used to say, Naomi,
14 save \$5 a week, and over the years you'll be
15 surprised how much you can accumulate.
16 However, I didn't save which was the biggest
17 mistake of my life. My retirement would be
18 much better if I had and now I wish that I
19 had done that. The jobs I had didn't offer
20 the opportunity to put money into 401-Ks.
21 If it had been available to me and I had
22 known about it, I would have taken advantage
23 of that opportunity.

24 Seniors need to check for all the

1 resources that are out there that can help
2 them with food, medical bills, health
3 services and home repairs. And if they are
4 not being treated well, they need to find
5 someone they can trust to help them find the
6 resources that they need. Seniors are
7 sometimes afraid to speak up because they
8 are afraid they will lose whatever help they
9 may be getting. But they need to speak up
10 instead of just suffering.

11 You are still a human being. And you
12 deserve equal care like any other citizens
13 no matter how old you are.

14 MS. RIDENHOUR: Thank you. My name is
15 Phyllis Ridenhour, and I live in West
16 Philadelphia in a house I'VE lived in for
17 over 40 years. I have been a widow since my
18 husband died in 1995. I worked in the city
19 all of my adult life. I taught preK at Our
20 Mother of Sorrow School. Later on I worked
21 in in Customer Service. For a long time I
22 worked three jobs because I couldn't make
23 ends meet with the one job. Finally, I got
24 a job that paid well enough that I could let

1 one of the other jobs go.

2 I worked for a large bank in their
3 mortgage servicing department in 2008. I
4 was laid off, or as the bank put it,
5 displaced from my job. My department was
6 moved to Florida. And those of us who were
7 around retirement age, including me, were
8 forced to retire.

9 I am 66 now. And I save \$1,054 per
10 month in Social Security retirement. I do
11 not have a pension.

12 When I worked at the bank after been
13 there for a year, I was allowed to put money
14 into a 401K and I did that. I was able to
15 save \$35,000. But after I was forced to
16 retire, I had to take money out of the 401K
17 because my house was falling down. And I
18 was forced to -- I had to take money out of
19 the 401K because my house was falling apart
20 and needed repairs. The house needed a new
21 porch because it was literally falling down
22 and many other repairs.

23 I also had to use a lot of money in my
24 401K to help my son. My son was very active

1 in the community. He helped teenagers and
2 young adults and ran a football team. The
3 kids could only be on the team if they
4 didn't smoke, drink or smoke marijuana. He
5 kept a lot of them out of trouble. And he
6 would help kids who slipped and went to
7 jail.

8 But by the time I was forced to retire,
9 my son was very ill. He was in renal
10 failure and going blind. I used a lot of
11 the money I had saved from my retirement to
12 help him with his rent and all his bills.
13 He was too disabled to work, but had not
14 been approved yet for Social Security
15 disability. He died from renal failure in
16 2012 two days after we had a 46th birthday
17 party for him.

18 My Social Security benefits are not
19 enough to pay my mortgage, facilities, food,
20 medical expenses and other bills. I was
21 fortunate to get into a training program
22 under Title V for the Older American's Act
23 through the Mayor's Commission on Aging.
24 They placed me here in City Hall where I

1 review cases who come through the courts to
2 make sure that the forms are filled out
3 properly. Those program which provides
4 part-time work for seniors at minimum wage,
5 I worked 20 hours a week for sometimes less.
6 But even with the additional income, I have
7 really struggled financially.

8 In 2000 I took out a mortgage on my
9 house to pay off bills and get a car to go
10 to work. Unfortunately, the mortgage had
11 illegal and fraudulent terms in it. I was
12 not shown the paperwork that said that there
13 was a balloon payment. The balloon payment
14 came through last year. And I've really
15 been struggling since then to keep my home.

16 A lawyer from the Community Legal
17 Services is helping me with this. After
18 making my mortgage payment, I have a
19 difficult time affording utility bills. My
20 gas was cut off last November. And I had to
21 use electric space heaters. I borrowed
22 money and was able to get it turned back on
23 in January. PGW gave me a payment agreement
24 of \$168 a month. I told them I just

1 couldn't afford that much, but they said
2 that was all they could do.

3 I had to pay \$400 in copayments for
4 cataract surgery in both of my eyes in April
5 and May. I got behind on the gas bill
6 again, so they shut the gas off last
7 Tuesday. I don't know how I'm going to pay
8 PGW \$4,000 I owe and what I'm going to do in
9 the fall when it starts to get cold. I
10 applied for all of the programs that I
11 qualify for. But unfortunately, don't
12 qualify for many of them because they told
13 me I had too much income.

14 I also have a lot of medical expenses to
15 pay. I used to have Medicaid, but I was
16 dropped. It dropped from me recently
17 because my income was too high. Medicare
18 only pays 80 percent of the medical bill, so
19 I have to pay the rest of the bill. I also
20 have copayments every month for my other
21 medications, and that cost about \$100 a
22 month.

23 If anything comes up in the house that
24 needs to be fixed, I have to find the money

1 to try to fix it. I was recently -- I was
2 able recently to get some electrical work, a
3 new heater, and grab bars from PHA -- from
4 PHA Program, but I need a new roof. It's
5 leaking in my bedroom. I don't have any
6 money to get it fixed.

7 I get food stamps, but it's only \$16 a
8 month so I have to go to Save-A-Lot and buy
9 whatever I can that's on sale. I'm not
10 about -- it's not about eating what I'd like
11 to eat, but what's healthy. I have to buy
12 what's on sale.

13 The extra income I earn from my Title V
14 job has helped a lot, but if I'm sick or
15 have to go to the doctor, I don't get paid.
16 I have two herniated discs and sometimes I
17 can't get out of bed so I don't go to work.
18 You can only stay in the Title V Program for
19 four years. And last -- my last month will
20 be in October. When this job ends, I will
21 still be over income limit for my many --
22 for many senior programs. And I don't have
23 nearly enough income to pay my basic
24 expenses. I really don't know what I'm

1 going to do after that. I've applied for
2 several positions. I've not found a job so
3 far.

4 Thank you for considering the kinds of
5 programs that would help Philadelphia's
6 seniors have a more secure retirement.

7 MS. WALZ: Good morning. My name is
8 Pamela Walz. And I am the Codirector of the
9 Aging and Disabilities Unit at Community
10 Legal Service. Founded in 1966 by the
11 Philadelphia Bar Association, CLS has
12 provided free civil legal assistance to more
13 than one million low income Philadelphians
14 during the past 50 years. Approximately,
15 11,500 clients were represented by CLS in
16 the past year.

17 CLS assists clients when they face the
18 threat of losing their homes, income,
19 healthcare and even their families. CLS
20 attorneys and other staff provide a full
21 range of legal services from individual
22 representation to administrative advocacy to
23 class action litigation as well as community
24 education and social work. CLS is a

1 nationally recognized as a model legal
2 services program.

3 In the past year, CLS has helped about
4 2,000 elderly low income Philadelphians with
5 everything from preventing mortgage
6 foreclosure to keeping utilities on to
7 accessing in-home long term care services to
8 help them avoid having to enter a nursing
9 home. CLS' Aging and Disabilities Unit
10 focused on legal issues specific to low
11 income older adults and individuals with
12 disabilities, including eligibility for
13 Social Security, supplemental security
14 income, Medicaid, Medicare and other
15 programs as well as long term services. Our
16 clients are representative of the many
17 elderly Philadelphians who are living in
18 poverty.

19 Retirement is a problem for many seniors
20 in Philadelphia. Ms. Ridenhour and
21 Ms. Cane's experiences are tybicable --
22 typical of our clients who are older adults.
23 Because poverty is so pervasive in
24 Philadelphia, many people have been unable

1 to save for retirement. For some people,
2 the problem is a disability that kept them
3 from working long enough to qualify them for
4 Social Security. Some of them have long
5 work histories but are not able to work all
6 the way up to the traditional retirement
7 age.

8 We often see individuals who worked in
9 the past in physically arduous jobs which
10 they are unable to perform as they grow
11 older and develop arthritis and other health
12 problems. For others, their jobs
13 disappeared as incomes like garment
14 production left Philadelphia. People in
15 this situation are often forced to apply for
16 early retirement from Social Security at age
17 62 rather than waiting for the full
18 retirement age which is currently 66. And
19 fortunately, starting to receive Social
20 Security retirement benefits at age 62 means
21 that the monthly benefit is permanently
22 reduced by at least 25 percent from what it
23 would have been had the work been able to
24 delay receiving benefits before the full

1 retirement age.

2 For most of our clients, working a low
3 wage job meant never having enough money to
4 put away in savings. Many of them work in
5 jobs where retirement accounts are not
6 available and retirement planning is not
7 offered. Some of these individuals could
8 have saved if only there was a secure way to
9 do so.

10 Our clients and those in the City who
11 are like them are simply struggling to
12 survive. Philadelphians older adults who
13 are living on fixed incomes find that after
14 paying for the most basic necessities, it's
15 almost impossible for them to afford to pay
16 for medical bills, home repairs and other
17 expenses. Many are living on Social
18 Security benefits between 100 and
19 150 percent of the federal poverty level.
20 Most do not have pensions because the
21 defined benefit pensions are becoming
22 increasingly uncommon. When our clients do
23 have pensions to supplement their Social
24 Security, it's not unusual for the benefit

1 to be as little as \$100 per month or less.

2 Many older adults in Philadelphia own
3 their own homes. Unfortunately, the cost of
4 paying for and keeping up these homes is
5 often beyond the financial means of
6 Philadelphia's retired population. Many
7 seniors still have mortgages which they
8 struggle to pay on a fixed income. CLS'
9 home ownership and consumer rights unit
10 frequently sees older adults facing
11 foreclosure because they are unable to keep
12 up with their mortgages on a fixed income.
13 Our office also sees many seniors who are
14 facing tax foreclosure because they have
15 been unable to keep up with their property
16 taxes.

17 Our energy unit which represents
18 consumers with utility issues represents
19 many older adults who have no heat, no water
20 or no electricity sometimes for long periods
21 of time because they have fallen behind in
22 their bills. And because Philadelphia's
23 housing stock is so old, our clients face
24 huge challenges in maintaining their homes.

1 Many of our older clients' homes are
2 literally falling apart. They have lived in
3 these home for decades, and the basic
4 systems are now in dire need of replacement
5 or repair. We commonly see elderly clients
6 who have water leaking through their
7 ceilings or running down walls because they
8 need a new roof or whose electrical wiring
9 is dangerous or whose plumbing needs to be
10 repaired. Others have furnaces which no
11 longer work or floors or ceilings caving in
12 or kitchens and porches which are literally
13 falling off the house.

14 These repairs are expensive, and our
15 clients simply don't have the money in their
16 budgets to pay for them. The few programs
17 which exist to help pay for these repairs
18 have long waiting lists. When these homes
19 reach the point that they are no longer safe
20 to live in, that older adult is at great
21 risk of having to enter a nursing home. And
22 this is both a terrible outcome for the
23 older adult and a loss for the City because
24 that home then sits empty and deteriorating.

1 Medical expenses are another huge
2 challenge for Philadelphia's older
3 population. Medicaid, which provides fairly
4 comprehensive coverage, is only available to
5 seniors with incomes up to about \$1,000 per
6 month unless they need nursing home level
7 care. Many of the older clients we see have
8 worked hard and are now drawing Social
9 Security between 1,100 and 1,500 dollars per
10 month. Because their income exceeds the
11 income limit, they are not eligible for
12 Medicaid. They do have Medicare coverage,
13 but Medicare requires beneficiaries to pay
14 significant costs sharing.

15 The deductible which Medicare
16 beneficiaries must pay for hospitalization
17 is nearly \$1,300. And Medicare only pays
18 for 80 percent of most other services. As a
19 result, we frequently see clients coming
20 into our office because they have stacks of
21 medical bills they can't pay. On top of
22 this, Medicare beneficiaries have to pay
23 copayments for prescription drugs which can
24 run into the hundreds or thousands of

1 dollars per year.

2 Many seniors problems go unseen by our
3 society. The startling truth is that older
4 Philadelphians are struggling and often have
5 nowhere to turn. While CLS and others
6 provide help to the seniors, it's vital that
7 we provide causes of poverty including the
8 lack of retirement funds.

9 We are deeply appreciative to City
10 Council and particularly Councilwoman
11 Cherelle Parker for drawing attention to
12 this issue. And are encouraged by any
13 efforts to make retirement easier for low
14 income Philadelphians.

15 COUNCILWOMAN PARKER: Thank you so very
16 much for your testimony. And let me say in
17 particular to Ms. Cain and Ms. Ridenhour and
18 Pamela Walz, you know how much we rely on
19 you all at Community Legal Services. We are
20 the ones who are elected, but I think my
21 colleagues will agree that we often turn to
22 the likes of you senior law to be our fixers
23 when our constituents need help, so we thank
24 you.

1 But particularly to Ms. Cain and
2 Ms. Ridenhour, I want you to know that we
3 hear, we hear your message today. And the
4 purpose of this hearing is so that we can
5 get all of the issues and concerns and hear
6 about potential solutions that are being
7 considered across the nation in cities and
8 states to address the issue of retirement
9 security and how we, in the City of
10 Philadelphia, can address our city specific
11 challenges.

12 I also want to note that on tomorrow as
13 a result of your message, this City Council
14 will be introducing a resolution formally
15 and officially creating a task force to
16 develop and create a concrete plan on how to
17 address the issue of retirement security in
18 the private sector only. Because our public
19 sector workers, the Mayor has created a task
20 force. We no that any adjustments there are
21 done through the collective bargaining
22 process. And so, we will focus on the issue
23 of retirement security in the private sector
24 for Philadelphia residents. And it's

1 because of messages like yours. So, thank
2 you so very much.

3 Colleagues, any questions or comments?

4 (No further comments.)

5 Thank you.

6 Will the next panel, we will ask you to
7 come forward. Anthony Webb from the
8 Research Director of Retirement Equity Lab
9 at the Schwartz Center for Economic Policy
10 Analysis at The New School of Social
11 Research.

12 (Witness approaches Table.)

13 We want to thank you, the Schwartz
14 Center, on behalf of this City Council of
15 Philadelphia led by our Council President
16 Darrell Clarke who actually conducted
17 Philadelphia-specific research. And it was
18 timely when we just had some data released
19 by Pew, two studies in particular. Also,
20 the Controller also did a report.

21 So, we will hear from Schwartz now about
22 what the findings regarding the City of
23 Philadelphia were.

24 MR. WEBB: I have a PowerPoint. So,

1 should I go over to the -- oh, I see. There
2 is a controller here.

3 COUNCILWOMAN PARKER: We will just tip
4 the screen a little bit this way so Council
5 members can look at it.

6 MR. WEBB: Okay. Well, thank you for
7 inviting me. It's my pleasure to be here.
8 I'll just wait for the screen to get turned
9 around. Can the Members of the Council see
10 the screen? Okay.

11 So, thank you for inviting me. It's my
12 pleasure to be here. The U.S. faces a
13 household retirement saving crisis. I will
14 first describe the factors of the crisis,
15 and then explain the ways in which the City
16 of Philadelphia has been especially hard
17 hit.

18 The first factor is the decrease in the
19 Social Security replacement age, which is
20 resulted from the increase in the Social
21 Security or retirement age. This is
22 equivalent to a cut in benefits, also from
23 increases in Medicare Part B and D premiums
24 which get taken out of the check prior to it

1 going in the manual. And increases in the
2 percent retirees who are subject to income
3 tax on their Social Security benefits.

4 The second factor is the low and
5 decreased level of participation in employer
6 sponsored pension plans. Less than one half
7 of the private sector workers ages 25 to 64
8 currently participate in an employer
9 sponsored pension plan.

10 The third factor is that as a result of
11 high fees, leakages, low contribution rates
12 and spotty contribution histories, the
13 typical 401K participant only accumulates a
14 small fraction of the expected amounts.

15 Then finally, due to increased
16 longevity, the interest rates and increasing
17 healthcare costs, successive birth cohorts
18 need to accumulate ever larger amounts to
19 achieve the same standards of living in
20 retirement.

21 As a result of the above factors, the
22 bulk of retirees depend on Social Security
23 for most of their income. In the past,
24 Social Security was enough to lift almost

1 all retirees above the federal poverty line,
2 but was far from sufficient to enable them
3 to maintain their standards of living. In
4 the future, Social Security will leave
5 increasing shares of retirees with incomes
6 below the federal poverty line.

7 I'll now discuss the analysis of
8 Philadelphians household financial
9 preparation for retirement. The primary
10 data source is 2015 data from the current
11 Population Survey, a nationally
12 representative survey jointly by the Census
13 Bureau and Bureau of Labor Statistics. We
14 found the Philadelphia retirees and workers
15 are in even worse shape than workers and
16 retirees nationwide.

17 Now relative to retirees nationwide, we
18 find the Philadelphia seniors are
19 significantly in the substantially more
20 likely to live in or near to poverty. In
21 Philadelphia, 20 percent of retirees are
22 poor relative to 9 percent nationwide. The
23 30 percent have incomes in between 100 and
24 200 percent of the federal poverty line

1 relative to 23 percent nationwide. Workers
2 in Philadelphia are less likely than workers
3 nationwide who work for employer sponsors
4 and retirement plan or participate in a
5 plan. In Philadelphia, 48 percent of
6 workers ages 25 to 64 work for an employer
7 that sponsors a plan relative to 53 percent
8 nationwide. And 37 percent actually working
9 actually participate in a plan relative to
10 the 45 percent nationwide.

11 Among all the Philadelphians ages 25 to
12 64, including those not in the labor force,
13 the pension plan participation rate is near
14 24 percent. The study finds that low
15 sponsorship rates extend across all
16 demographic groups. The sponsorship rate in
17 Philadelphia is significantly lower than the
18 national average amongst both men and women
19 and Blacks and Whites.

20 The CPS does not contain household level
21 data or household financial assets. To
22 determine how much Philadelphians are saving
23 for retirement, we use data from the Census
24 Bureau's Survey of Income and Program

1 Participation. The survey contains
2 comprehensive information on household
3 wealth and its position. But the sample
4 size is much smaller than that of the CPS.
5 Although, it is possible to identify which
6 participants live in metropolitan areas in
7 Pennsylvania, it is not possible to identify
8 which of the participants live in
9 Philadelphia. The study found some evidence
10 of households in metropolitan areas in
11 Pennsylvania, some 37 percent of whom live
12 in Philadelphia had greater financial wealth
13 than the national average. By their
14 financial wealth falls far short of what is
15 needed to maintain pre-retirement
16 consumption.

17 Our best estimate is that the median
18 household level of retirement assets of
19 pre-retiree household participating in 401K
20 plans is about \$165,000. That is sufficient
21 to produce a lifetime income of \$550 a
22 month. And households that do not
23 participate in 401K plans have far less.
24 I'd like to just say a few words about the

1 urgency of the situation.

2 There are many households in 40s and 50s
3 with zero retirement savings. Some of these
4 households will be able to postpone
5 retirement. But many, perhaps the majority,
6 will be unable to do so either because of
7 lack of poor health or lack of employment
8 opportunities. Extending retirement plans
9 to households in their 40s and 50s even if
10 possible is not going to give them the
11 retirement of their dreams. But an
12 expansion of coverage would lift significant
13 number of households out of poverty and near
14 poverty. The sooner we act, the more of
15 these households can be helped.

16 To summarize, the nation faces a
17 retirement saving crisis. The situation in
18 Philadelphia is somewhat worse than
19 nationwide. A higher proportion of seniors
20 are in or close to poverty. And a higher
21 proportion of workers lack retirement plan
22 coverage or are at high risk of retiring in
23 poverty. The solution is to expand the
24 retirement plan coverage. Employers are not

1 going to do this on their own. It calls for
2 government initiatives.

3 And I thank you for your time.

4 COUNCILWOMAN PARKER: Thank you so very
5 much for your testimony.

6 Let me just ask, are there any questions
7 from the Members of the Committee?

8 Councilman Domb.

9 COUNCILMAN DOMB: I have -- very good
10 tes -- thank you, Madam Chairwoman.

11 Very excellent testimony. I have some
12 questions on -- I was looking at the chart
13 on page 7 of the handout. I am just
14 curious. I want to understand these
15 percentages. Maybe you can explain them to
16 me.

17 MR. WEBB: Let me just get to the chart
18 on the screen, so everybody can see.

19 COUNCILMAN DOMB: Says at the top Table
20 5.

21 MR. WEBB: Is this the right one?

22 COUNCILMAN DOMB: Working population is
23 at the top, is that the chart we're looking
24 at?

1 MR. WEBB: Yeah.

2 COUNCILMAN DOMB: This percentage is
3 show Philadelphia versus the United States.

4 MR. WEBB: Yes.

5 COUNCILMAN DOMB: I just have a question
6 as to -- I'm looking at all the numbers.
7 Seems like we are behind the U.S. in
8 general, but there are categories where we
9 are ahead. I'm wondering in your research
10 what you found out, why that occurred? I
11 will give you an example.

12 We are lower in the White. We are lower
13 in the Black. But we are way ahead in the
14 Asian. Why would that be?

15 MR. WEBB: Yeah. The sample size, sir,
16 is relatively small. And not all of the
17 differences are statistically significant.
18 The stars in the right-hand column indicate
19 where the difference is significant. The
20 Asian difference is not significant. And
21 the reason is that we really have a very
22 small number of Asian individuals in the
23 sample.

24 COUNCILMAN DOMB: Okay.

1 MR. WEBB: We are working with a sample
2 that may be a thousand people.

3 COUNCILMAN DOMB: I understand.

4 Go down to public sector and explain to
5 me we were at 83 percent and U.S. is 79.

6 MR. WEBB: That again, the difference
7 once again is not statistically significant.
8 And I really wouldn't read anything into
9 that.

10 COUNCILMAN DOMB: Is that public sector?
11 You talking about government employees?

12 MR. WEBB: Yes. Yes.

13 COUNCILMAN DOMB: If I am reading this
14 correctly, our government employee benefits
15 in Philadelphia, according to your survey,
16 were 4 percent better than the national
17 average?

18 MR. WEBB: But the difference is not
19 statistically significant. So they -- it's
20 round about out the national level.

21 COUNCILMAN DOMB: Okay. Go down to
22 union status. It says covered by union
23 contract. And Philadelphia says 92 percent.
24 And nationwide it says 79. What does that

1 mean?

2 MR. WEBB: Right. So what that means is
3 in Philadelphia, the data indicated that
4 92 percent of union members were covered by
5 a retirement plan. Nationwide, it was only
6 79 percent. Relative -- the level of
7 unionization is relatively low. The
8 difference of 13 percent or 13 percentage
9 points is not statistically significant.

10 COUNCILMAN DOMB: Explain something to
11 me. Why 13 percent isn't statistically
12 significant. But under the category of race
13 or White, 3 percent is?

14 MR. WEBB: Right. So, the reason is
15 that there are many, many more White people
16 in Philadelphia than union members. So, we
17 have a larger sample.

18 COUNCILMAN DOMB: With the survey of
19 White people, how many people does the
20 survey have.

21 MR. WEBB: I think there were about 600
22 White people in the survey.

23 COUNCILMAN DOMB: Let's go down to the
24 last category, manufacturing utilities

1 transport and warehousing. Says we are at
2 44 and the average is 60, so we are below 16
3 points.

4 MR. WEBB: Yeah.

5 COUNCILMAN DOMB: Are you saying that in
6 those industries, we don't have benefits for
7 retirement?

8 MR. WEBB: That is what the data is
9 showing. There is something about
10 manufacturing in Philadelphia that means for
11 that to work, the manufacturing in
12 Philadelphia are significantly less likely
13 to have pension coverage.

14 COUNCILMAN DOMB: Let me ask you another
15 question, forget this chart.

16 Isn't the best solution -- I'm trying to
17 remember if I recall the maximum Social
18 Security is like 118,000? After 118,000,
19 you're not charged for Social Security; is
20 that right?

21 MR. WEBB: The maximum taxable earnings
22 I think are \$118,000 a year.

23 COUNCILMAN DOMB: And if that number --
24 has that number kept up with inflation over

1 the last 20 years?

2 MR. WEBB: Right. The taxable maximum
3 is indexed to the increase in average wages
4 nationwide. So over time, it increases a
5 bit more rapidly than inflation.

6 COUNCILMAN DOMB: Just for the record,
7 percentage of your income, what is the
8 percentage today for Social Security?

9 MR. WEBB: What?

10 COUNCILMAN DOMB: What is the percentage
11 on your salary that's charged for Social
12 Security 118?

13 MR. WEBB: It's 6.3, I think, if I
14 remember correctly.

15 COUNCILMAN DOMB: If that was raise to
16 150,000, would that solve a lot of these
17 issues?

18 MR. WEBB: Right. So, we currently have
19 a funding problem in the Social Security.
20 An increase in the taxable max would
21 certainly go a long way towards bridging the
22 funding gap. It almost certainly
23 wouldn't -- it almost certainly wouldn't
24 yield enough revenue to also increase

1 benefits.

2 COUNCILMAN DOMB: I'm looking for that
3 as a possible solution. My question --

4 MR. WEBB: One solution is obviously to
5 increase Social Security benefits.

6 COUNCILMAN DOMB: What is an increase of
7 25,000 in salary, what does that -- how much
8 would that generate nationwide?

9 MR. WEBB: I think that the calculations
10 indicate that even if you increase the
11 taxable maximum all the way from 118 to
12 250,000, it wouldn't be enough to bridge the
13 funding deficit.

14 COUNCILMAN DOMB: How much would it
15 generate, though, per 25,000 or 100,000? Do
16 you have any idea?

17 MR. WEBB: I don't know offhand. I can
18 see offline.

19 COUNCILMAN DOMB: Okay. All right.
20 Thank you very much for your testimony.
21 Very informative.

22 Thank you, Madam Chairwoman.

23 COUNCILWOMAN PARKER: Thank you,
24 Councilman Domb, for always paying attention

1 to the numbers and the data. We appreciate
2 it.

3 Councilwoman Helen Gym.

4 COUNCILWOMAN GYM: Thank you.

5 Mr. Webb, I had a couple questions.

6 Thank you very much. I want to reiterate
7 how much I appreciate your testimony.

8 Just for clarification, one of your
9 comments on Table 4 about sponsorship and
10 participation rates of Philadelphia
11 residents, the primary issue it looks like
12 in terms of ability to participate,
13 two-thirds of people are either not working
14 or working but not sponsored; is that
15 correct?

16 MR. WEBB: Yeah.

17 COUNCILWOMAN GYM: And so, only a third
18 have a full-time coverage. But it looks
19 like it has a lot to do with opportunity and
20 availability on behalf of the employer.

21 MR. WEBB: So, it's more a matter of
22 availability rather than non-participation
23 amongst eligible employees.

24 COUNCILWOMAN GYM: Correct. So, either

1 the employer is not making the plan
2 available to its employees, or they are not
3 working; is that correct?

4 MR. WEBB: So, both are factors. The
5 more important factor is that the employer
6 is not making the plan available to the
7 employee in the first place.

8 COUNCILWOMAN GYM: When an employer does
9 offer a plan, there is a very small
10 percentage that it appears that choose not
11 to participate in that plan?

12 MR. WEBB: Yes.

13 COUNCILWOMAN GYM: Less than 10 percent.

14 MR. WEBB: So, the participation rates
15 nationwide typically runs over 80 percent,
16 maybe up to 85 percent. So, the key battle
17 is getting an employer to offer a plan in
18 the first place.

19 COUNCILWOMAN GYM: And for private
20 employers, that is up to their discretion
21 for the most part.

22 MR. WEBB: So, that is currently up to
23 the employer's discretion as it is now.

24 COUNCILWOMAN GYM: Okay.

1 MR. WEBB: And the many small employers
2 sort of choose not to.

3 COUNCILWOMAN GYM: And making, say, a
4 plan more available to people, have you
5 looked at whether people would participate
6 in a plan if one -- I mean, it's clear from
7 here that if you are working and a plan is
8 made available, people participate. It's a
9 very small percentage who exercise their
10 right to, you know, as we know to choose not
11 to participate. But that is a tiny fraction
12 of the number of people.

13 If plans are made more widely available,
14 has there been indication that in other
15 places that they will -- they will go to a
16 plan outside of their employer if the
17 employer, him or herself, does not or itself
18 does not make that plan available?

19 MR. WEBB: So if the employer doesn't
20 offer a plan, then the employee typically
21 does nothing.

22 COUNCILWOMAN GYM: Right.

23 MR. WEBB: Now, I think the question you
24 are asking me is are the people who are

1 working for employers who don't offer a plan
2 very, very different from those -- from
3 workers who work for employers who do offer
4 a plan; and would they not participate even
5 if one was offered? And I think the answer
6 is that we have also enrollment, you
7 probably get relatively high participation
8 rates even from those people.

9 COUNCILWOMAN GYM: And I think that that
10 is a very important factor that individuals
11 where the private employer does not offer a
12 plan thrown to the free market, which is a
13 really enormous entity is overwhelming. And
14 that if a clear plan, pension plan could be
15 offered to them, that they may likely as we
16 see in universal healthcare, will enroll.
17 They don't -- they don't on an individual
18 basis choose to opt out of benefits that
19 would secure their financial future.

20 MR. WEBB: So, the best evidence is the
21 evidence of the previous testimony where one
22 of the speakers said she had drilled into
23 her the importance of saving. And yet, she
24 wasn't in a plan and didn't save even though

1 she knew it was the right thing to do.

2 Now I think had she been offered a plan
3 and she also enrolled, she would have saved.

4 COUNCILWOMAN GYM: Is there any
5 municipality or other places around the
6 country or the world in which something like
7 a broader plan, a more universal pension
8 plan has been offered? And what kinds of
9 lessons it yields?

10 MR. WEBB: Right. Despite my accent, I
11 haven't lived in England for many, many
12 years. I do know a little bit about the
13 NEST Program in the UK. The UK, just as
14 here, had a problem with low participation
15 rates. They introduced also enrollment plan
16 for -- for low wage workers a couple of
17 years ago. And it achieved very, very high
18 participation rates even amongst low wage
19 workers.

20 COUNCILWOMAN GYM: And when you see
21 participation increase within the pension
22 plan, obviously, Philadelphia like many
23 other cities has -- is struggling with its
24 fund balance within its pension plan,

1 increase or sharp increase in participation
2 rates, does that often help address fund
3 balance issues over a period of time for --
4 for municipalities?

5 MR. WEBB: I don't see it as having much
6 of an effect on the finances of the City of
7 Philadelphia one way or another. It's
8 something that we can talk about offline.

9 One thing I think it does address is the
10 question of pension. I think everybody is
11 entitled to a decent pension. If private
12 sector workers have a decent pension, they
13 are less likely to come up with pensions
14 offered to City employees.

15 COUNCILWOMAN GYM: Do you see those
16 things as having a negative impact on the
17 municipality if one is more universally
18 offered?

19 MR. WEBB: I can see absolutely no
20 negatives whatsoever from Philadelphia
21 introducing a program to cover uncovered
22 workers. I think only good will come of
23 that.

24 COUNCILWOMAN GYM: Thank you very much.

1 COUNCILWOMAN PARKER: Thank you.

2 We going to go back to Councilman Domb.

3 COUNCILMAN DOMB: Thank you, Madam
4 Chairwoman.

5 Question because your testimony was so
6 good, I want to ask you this question.

7 Isn't the biggest issue really the concept
8 and mindset that you must save before you
9 spend? 90 percent of the Americans probably
10 don't do, okay? I know there's been books
11 written about that. But my colleagues and
12 myself are very interested in teaching
13 financial literacy in our school system.

14 And I was wondering in other
15 municipalities if you might be aware if
16 there have been courses that have been
17 introduced in the public school system that
18 will help deal with this? So from
19 kindergarten, start teaching about why you
20 need to save and why it's important?

21 Because can you give somebody \$100,000,
22 two different peoples each \$100,000. One
23 can blow it in six months and one can make
24 it last for five years.

1 I see you are holding back, so why don't
2 you speak to that issue.

3 MR. WEBB: I certainly don't think there
4 is any value at all in teaching children
5 about controls and the operation of the
6 stock market and option pricing. I think
7 that we sometimes use discussions of
8 financial literacy to blame households for
9 what isn't true for institutional problem.

10 That the correct solution I believe is
11 to design a program so simple, so
12 straightforward, so automatic that even the
13 most uninterested, the most financially
14 literate person can use it.

15 COUNCILMAN DOMB: I will say this. When
16 I was growing up, my mother made me go to
17 the local savings loan -- I mentioned this
18 earlier -- when I was five years old and
19 have those paperback where you stuff your
20 nickels and dimes in when you took them to
21 the bank and you saved money. That taught
22 me the benefit of saving.

23 So I mean, there is benefits that I'm
24 not sure that's being taught to our young

1 people today. I'm just not sure. I see
2 what goes on out there. And I see how
3 people spend money. And you have to always
4 like live below your means. I'm not just
5 talking about -- all ranges of salary. All
6 ranges. And the more we can teach that, the
7 better we can help people economically.

8 MR. WEBB: I agree with you. I
9 nonetheless think if you take the money out
10 of a person's paycheck prior to them even
11 seeing it, you are probably 90 percent of
12 the way there.

13 COUNCILMAN DOMB: Right. Okay. Thank
14 you very much.

15 COUNCILWOMAN PARKER: Thank you,
16 Councilman Domb.

17 Mr. Webb, let me just can ask you to
18 sort of take a quick stroll back through
19 history. I was two years old in 1974 when
20 Congress sured up the second leg. And you
21 know, via the Employee Retirement Income
22 Security Act, ERISA, you know, which created
23 the Pension Benefit Guarantee Corp which, in
24 essence, was the safety net that those

1 employees from Enron and Kemper and United,
2 all of those who were, you know, almost lost
3 it all after -- after working for years.

4 With that in mind, I want you to tell
5 me, if you will, the difference in defined
6 benefit pension that is associated or
7 commonly known with the public sector but at
8 a time was offered in the private sector,
9 the assured income that is offered through
10 the defined benefit. And then in addition
11 to that, I want you to talk about the
12 defined contribution sort of planned
13 structure.

14 And what I would really want you to talk
15 about is the power of risk pooling. Because
16 even if we are talking about creating some
17 sort of plan, and we are going to hear about
18 that a little later from Kathleen Kennedy
19 Townsend who will talk to us about Maryland
20 and hopefully she will mention Connecticut
21 to us. The issue has been about the power
22 of the risk pooling and individual lay
23 people sort of not being expected to become
24 portfolio managers, right.

1 And the major part for me, and it would
2 be great to hear your response, the power of
3 annuitizing. And what does that mean versus
4 a lump sum payment that you can receive
5 through an individual sort of 401K versus if
6 a plan is annuitized? Can you talk to us
7 about that and connect it to behavioral
8 economic trends.

9 MR. WEBB: Right. Okay. How long have
10 I got?

11 COUNCILWOMAN PARKER: Tell me about it.

12 MR. WEBB: Okay. In a defined benefit
13 plan, the pension is a fixed amount which is
14 calculated by reference to the individual
15 salary and years of service and is payable
16 in the form of a lifetime income. The
17 employer who is the plan sponsor bears all
18 the investment and longevity risk.

19 In contrast in a 401K plan, all of the
20 investment, all of the investment and
21 longevity risk is in the hands of the
22 individual -- the individual participant.
23 The participant invests in a portfolio of
24 mutual funds. If those -- if those funds do

1 well, he builds up a larger amount of money
2 of retirement. If the funds do -- if the
3 funds do badly, he does poorly. So a DC
4 plan represents a transfer from employer to
5 -- a transfer of risk from employer to
6 employee.

7 Now, there are ways in which -- number
8 one, we may hanker after the old days of DB
9 plans, but DB plans are really not coming
10 back. So, we have to live in the new world
11 and make it work as best we can.

12 Now, DC plans have a number of serious
13 drawbacks. So one of them which was alluded
14 to is the DC plan participants will normally
15 take their pension benefits in the form of a
16 lump sum. That poses a problem for them in
17 that they have to decide how rapidly to draw
18 down that wealth. If the individuals who
19 draws down the wealth too rapidly,
20 obviously, runs the risk of outliving his
21 wealth. If on the other hand, he draws down
22 very, very slowly to minimize the risk of
23 outliving his wealth, he may have a very
24 visible retirement.

1 Now one way in which an individual can
2 ensure against the risk of outliving his
3 wealth is by purchasing a life annuity. And
4 the way in which a life annuity works is
5 that the individual gives a lump sum to an
6 insurance company. And in return, the
7 insurance company gives the individual
8 lifetime income.

9 Now the trouble is that individuals in
10 DC plans absolutely hate life annuities.
11 And there has been a substantial academic
12 literature investigating why this is. The
13 conclusion that most people have come to is
14 that it comes down to behavioral biases.
15 That if a normal individual who drives a car
16 and you purchase auto insurance, you are
17 purchasing auto insurance against the bad
18 risk of crashing your car. And even at the
19 end of the year you haven't crashed your
20 car, you will still think that insurance was
21 worthwhile. It could have happened. It
22 gave me piece of mind.

23 In contrast when an individual
24 contemplates purchasing annuity, he doesn't

1 think of the risk of living a long while as
2 being a bad outcome. He says the risk is if
3 I die young, the insurance company will have
4 made a profit from me. He doesn't
5 appreciate what he is really doing is buying
6 insurance against the bad outcome of having
7 a long and healthy life.

8 So I think any DC plan, if it's to serve
9 its ultimate goal of a funding
10 post-retirement consumption rather than
11 merely building up a pot of money, you
12 should at the very, very least incorporate
13 annuitization option and possibly
14 annuitization mandate or default.

15 Now, you raised the question about
16 risk -- the question of risk. One can
17 minimize risk by risk pooling by having a
18 professional investment management by
19 ensuring that participants don't do what
20 they do at Enron and invest in the company
21 stock and have a diversified portfolio. And
22 this has been done very effectively in the
23 UK with NEST.

24 One could go further and introduce rate

1 of return guarantees. There's a substantial
2 literature that talks about the costs and
3 the feasibility of these guarantees. The
4 problems, to be honest, is that a worthwhile
5 guarantees tends to be expensive. But I
6 think that there is possibly an argument in
7 favor of them. And one of the arguments is
8 to give unsophisticated households the
9 reassurance that they will at least get --
10 they will at least get something out of the
11 program.

12 COUNCILWOMAN PARKER: Thank you. Thank
13 so very much your response.

14 Councilwoman Sanchez. And then we will
15 begin with our next panel.

16 COUNCILWOMAN QUINONES-SANCHEZ: Yeah.
17 Real quickly. Does your poll only include
18 full time workers?

19 MR. WEBB: The poll -- the CPS samples
20 all Philadelphians. Now we focused on some
21 full time workers ages 25 to 64. Had we
22 included part timers, the participation rate
23 would have been even lower.

24 COUNCILWOMAN QUINONES-SANCHEZ: Yeah. I

1 am trying to gauge that in terms of was
2 there a particular -- because we have
3 150,000 folks that work in kind of
4 hospitality and maybe less than full time 35
5 hours, so that's a huge component of the
6 Philadelphia workforce.

7 Was there a particular industry that
8 stood out for you with the low participation
9 rate? I know you lumped them into three
10 categories.

11 Was there someone particular within
12 those three categories that you --

13 MR. WEBB: The sample size was
14 relatively small.

15 COUNCILWOMAN QUINONES-SANCHEZ: Okay.

16 MR. WEBB: We made an attempt to push it
17 further. We felt it was unwise.

18 COUNCILWOMAN QUINONES-SANCHEZ: And then
19 in your experience, is an employer match the
20 biggest incentive for participation, or are
21 people participate at same rates when
22 there's no employer match?

23 MR. WEBB: I think that the most
24 effective means of boosting participation is

1 also -- is, number one, offering a plan in
2 the first place. But number two, auto
3 enrollments. And the match helps, but it's
4 of lesser importance.

5 COUNCILWOMAN QUINONES-SANCHEZ: It is of
6 lesser importance?

7 MR. WEBB: Yeah.

8 COUNCILWOMAN QUINONES-SANCHEZ: You feel
9 like there would be more -- there would
10 still be a significant movement in
11 participation?

12 MR. WEBB: Yeah.

13 COUNCILWOMAN QUINONES-SANCHEZ: Okay.
14 Thank you.

15 COUNCILWOMAN PARKER: Thank you.

16 Are any other questions?

17 (No further questions.)

18 Thank you so very much, Mr. Webb. We
19 will ask you, if you can, to please stay
20 because a question may come up where we want
21 to call you back up.

22 (Witnesses approach Table.)

23 We will ask the next panel to come
24 forward. Monique Morrisey, Economist from

1 Economic Policy Institute; Diane Oakley from
2 NIRS, the Executive Director; John Scott,
3 Director of the Retirement Savings Project
4 at the Pew Charitable Trust; and Jacob
5 Hacker, who is the Stanley B. Resor
6 Professor of Political Science and the
7 Director of the Institute for Social and
8 Policy Studies and Resident Faculty Fellow
9 at Yale is not here, but he has submitted
10 testimony for the record.

11 Let me also do a little housekeeping and
12 just note for the record, that all of the
13 Powerpoint presentations are available in
14 the folders. So, people can follow along
15 that way if they can't see the screen.

16 And for this panel, obviously, each and
17 every one of you because you can't do any
18 research on this issue in the U.S. and not
19 know Morrissey, Oakley, Scott, Pew NIRS, EPI
20 and what you all do. If you prefer to sort
21 of just talk us through this process versus
22 the reading of testimony, please know that
23 that, too, is welcome. And thank you all so
24 very much for being here.

1 Please state your name for the record,
2 and you can begin.

3 MS. MORRISEY: My name is Monique
4 Morrisey. I'm an Economist with the
5 Economic Policy Institute. And I focus on
6 retirement. Thank you Councilmember Parker
7 for inviting me here. It's a great honor.
8 And I really, really commend you and the
9 Council for focusing on this issue which is,
10 to me, one of the most important in the
11 country.

12 I am the author of a chart book called
13 The State of American Retirement. I am
14 going to show some of the charts from that
15 chart book later. But I rec -- it's -- all
16 of this is available on our website
17 www.epi.org. And so, I recommend if you are
18 interested in the charts that I show you,
19 that you look for more there.

20 Taking a step back, what does our
21 retirement system look like? Currently,
22 Social Security replaces a little less than
23 half of what, you know, of what most experts
24 think we need for retirement. The other

1 half traditionally has been assumed to come
2 from savings and pensions. The -- Tony
3 alluded to some of this before.

4 Employer-based retirement system is about --
5 looks like it's stable or a little bit
6 declining in terms of coverage. But the
7 quality of that coverage has shifted. We
8 have gone from a system, so not only are we
9 seeing not an increase in coverage, but we
10 are seeing a slight decline in coverage.

11 And in the private sector, for the most
12 part, traditional defined benefit pensions
13 have been replaced by defined contribution
14 plans.

15 If you have only a defined contribution
16 plan, you need to save something like ten
17 times your income to have what experts think
18 is enough to retire on. Now if that's seems
19 shocking to you, it's shocking to most
20 people. And virtually, nobody has that
21 amount. I am just putting that out there.
22 I will not have that amount. I don't know
23 if anybody in this room will have that
24 amount. But that is semi conservative

1 estimate of what you should be saving if you
2 are going to be drawing down at the rate of
3 about 4 percent of what you save at the age
4 65.

5 In other words, let's say whatever you
6 saved at age 65, usually experts think you
7 might be able to take out about 4 percent of
8 that per year, not 4 percent of what's
9 remaining but 4 percent of that at 65. To
10 do that, you need to have about ten times
11 what your income was for that. And nobody
12 has that. So we are -- you know -- right
13 now, we have unattainable goals and we are
14 falling farther behind.

15 The Senate for Retirement Research at
16 Boston College, which Tony used to work for,
17 has estimated that fewer than half of
18 working age households are on track to be
19 able to avoid a significant drop in their
20 standard of living at retirement. And this
21 share is increasing over time because
22 younger generations are falling further
23 behind where predecessor generations were at
24 the same age.

1 This is a big problem because we should
2 be saving more not less. So, the wealth to
3 income ratios are roughly stable. In fact,
4 they declined since the recession. And they
5 didn't rebound in the last three years.
6 We've actually seen -- there was a big drop
7 in the last recession. We rebounded only
8 slight since then. You know, the recession
9 took a big hit out of people's savings.

10 But in any case, Tony explained some of
11 the reasons. But we shouldn't have -- we
12 should have more savings not less because
13 the replacement rate from Social Security is
14 declining. And fewer people have pensions,
15 so we really need to be saving more;
16 instead, we're saving less. This is very,
17 very big problem.

18 One of the things -- I'm skipping ahead
19 a little bit here. We are talking about the
20 private retirement system. But I think the
21 number one thing we need to do to fix our
22 system right now is something that's not in
23 the Council's power to change, but I just
24 want to put a marker in there. We really

1 need to be talking about expanding Social
2 Security. And I know that Councilmember
3 Domb mentioned this and how much it would
4 cost. Not to get into the weeds there, but
5 it's something we can afford. We would
6 start by raising the capital on taxable
7 earnings. But there are other things we can
8 do to raise revenues.

9 And the good news there is that American
10 voters are actually very strongly in favor
11 of this. And this cuts across partisan
12 lines. If we can sort of convince both
13 parties to work on that. That said, I
14 recognize that states and municipalities
15 around the country can't wait for Congress
16 to do something about it. And I -- you
17 know, the Philadelphia City Council is way
18 ahead of the curve here because they are not
19 even waiting for the State of Pennsylvania
20 to get something done, but are thinking
21 about themselves because I believe that the
22 population in Philadelphia faces particular
23 challenges. And so, the sooner that
24 something gets put in place in Philadelphia,

1 the better for residents of the City.

2 So, one of the things we focus on in
3 this chart book is growing in equality. It
4 might come as -- people understand
5 inequality is a problem. What people might
6 not know is that back in the days when
7 defined benefit pension were the norm rather
8 than the exception in the private sector,
9 this was only about half of workers had
10 pensions. It sort of was old fashioned
11 system. A lot of -- more than half of
12 households had pensions because a lot --
13 because of spousal benefits. But only about
14 half of households had them. But there
15 wasn't a big difference between
16 African-Americans and Whites, Hispanics and
17 Whites. If you had a job, some jobs had
18 pensions. There wasn't a big difference,
19 you know, based on income, based on
20 education, based on race. You know, it was
21 fairly egalitarian system.

22 The charts I am going to show you that
23 this system is falling apart. One of the
24 reasons is that 401Ks magnify inequality.

1 And to give you -- I mean, I'm going to say
2 the statistic that's going to seem shocking
3 at first. It's a little less shocking when
4 you think about it, but it's still shocking.
5 Which is that three-fourths of all savings
6 in these plans are held by the top 20
7 percent of households. Now the reason it's
8 not quite so shocking is because actually
9 the top 20 percent of households also have a
10 huge share of the income.

11 What is a little bit surprising is that
12 the share of savings in 401Ks is
13 disproportionately the higher end. The
14 reason is surprising is because there are
15 rules in place that are supposed to prevent
16 that. There is a program called the Savers
17 Credit that is supposed to help people at
18 the low end. And there are caps on
19 contributions that are supposed to make sure
20 that we are not disproportionately
21 subsidizing wealth accumulation by high
22 income households. But in fact, that is
23 what we're -- just exactly what we are
24 doing.

1 (Refers to Powerpoint.)

2 Okay. This is one of the charts from
3 the chart book. You see the statistic I
4 just mentioned. You have top 20 percent
5 households have about 63 percent of income
6 and yet they hold about three -- 74 percent
7 of wealth in defined contributions plans.
8 If you're going to be a little bit more
9 sophisticated about this, you'd want to
10 focus on households closer to retirement.
11 You want to adjust for age because older
12 households have higher income and more
13 savings.

14 But even if you do, and there is a
15 another chart in the chart book that shows
16 this, we are showing a system that now
17 magnifies inequality. And again, I want to
18 emphasize that it did not use to be this
19 way. We hear a lot about income and
20 equality, wealth and equality. We are not
21 shifting to a retirement system that is
22 magnifying inequality. And this is a big
23 problem.

24 The charts that I'm going to show you

1 now focus on the share of households that
2 have any savings at all in retirement
3 accounts. Again this might -- what this
4 shows is that households in the top
5 20 percent are literally ten times more
6 likely than households in the bottom
7 20 percent to have any savings at all in
8 retirement accounts. I'm not saying that
9 they have ten times more savings, which
10 might be surprising, but they are ten times
11 as likely to have any savings at all in
12 retirement accounts.

13 If you look at the amounts that they
14 have, it's also very unequal. But there is
15 no reason in theory that this should be the
16 case. We do expect retirement savings to be
17 unequal because incomes are unequal. But
18 access to these savings should not be this
19 unequal. This is really shocking.

20 And what's more, the other thing to note
21 about this is that in general, if you look
22 at what's been happening in the new
23 millenium, you see a decline in the share of
24 households that have any savings at all.

1 Which again is shocking when you consider
2 that the share of households that have any
3 traditional pensions is declining. So, we
4 would expect this to be increasing, you
5 know, and it's not just after the recession.
6 So the only -- the only households that are
7 doing about as well in terms of having any
8 saving are the ones in the top. In every
9 other case, there's been a decline since
10 2001. So, and this is sort of inexplicable
11 and quite disturbing.

12 The next -- unlike the other charts,
13 this chart does show the amounts that are
14 in -- not that show that have anything, but
15 these are the amounts that people have. And
16 if this only shows the top half of the
17 income distribution, because basically the
18 bottom half has nothing, okay? As a basic
19 rule of thumb, you can say that the typical
20 person in the United States has nothing or
21 close to nothing in a retirement account,
22 okay?

23 And then even in the top, you know -- it
24 all becomes, it's a question of the top

1 half. And this, you can't do it off the top
2 of your head. But in fact, the distribution
3 is getting worse. The inequality has
4 increased since the great recession and has
5 generally been trending upward. So, we have
6 a problem of not only highly unequal, but
7 worsening inequality in retirement account
8 savings. And again, these are savings that
9 are subsidized by other taxpayers. So, it's
10 not just a question of -- it's a problem
11 because we are actually contributing to
12 this.

13 Okay. And I would like -- I generally
14 like to say that 401ks are a system that are
15 not working for the vast majority of
16 Americans, and that includes people who
17 normally do pretty well. You know, college
18 educated, married, White households. And
19 this is true that that group is the only
20 group that has any significant savings in
21 accounts. But that said, most of those
22 people are still not doing very well.

23 Here you look at the difference
24 between -- this is, again, we're going back

1 to the share of households that have any
2 savings at all. And we are looking at
3 differences by education. Three quarters of
4 college educated households have some
5 savings versus 43 percent of households with
6 high school degrees. And if you look at it,
7 the everybody -- in this case, everybody has
8 seen a declining -- you know, a declining
9 share in the new millenium. But the
10 declines have been particularly steeper for
11 less educated households. Again, there is
12 no good explanation for this. And it
13 certainly goes counter to what we would want
14 to be seeing given there is declined benefit
15 pensions.

16 The next house -- slide is also even
17 more depressing. It shows that there is --
18 this is a difference between White,
19 non-Hispanic household is the blue line.
20 And Hispanic and Black households, Hispanics
21 are the green line and the Black households
22 are the red line. And again, we are seeing
23 a very sharp decline in the new millenium
24 especially for Hispanic households in

1 retirement account savings. And whereas,
2 the White households have remained more or
3 less stable. And I would like to remind
4 people that this was not the case back in
5 the days of defined benefit pension. Not to
6 be a nostalgist. I don't think we can go
7 back to the days when private sector workers
8 have these pensions. But I don't want
9 people to think, well, this has always been
10 the case because it has not always been the
11 case. This is a system that's getting
12 worse.

13 And I would -- the data that I was
14 looking at looks at households. It's not
15 impossible to differentiate, you know, women
16 and men strictly speaking except if they are
17 single. But what we see is that single
18 people generally have -- are much less
19 likely to have any savings at all. And
20 the -- its used to be that single women, in
21 particularly, were doing bad. Here we see
22 that single women and single men are doing
23 about the same, but it's all because of a
24 decline in single men. Okay. So this is,

1 again, not a trend we want to be seeing.
2 Women, in general, are at much greater risk
3 at retirement because they live longer an
4 because their earning were lower to begin
5 with. So, the fact that they have not
6 caught up with men but are now on par with
7 men is not necessarily good news.

8 Anyhow, what needs to be done?

9 I think that the number one thing we
10 need to do as a nation is to be increasing
11 Social Security benefits. This is not
12 something that's on the table here for
13 Philadelphia. But I think you guys are
14 doing something very, very important which
15 is trying to make sure that workers who
16 currently do not have access to a plan at
17 work can have something. And I would
18 welcome questions. And I don't want to get
19 into the weeds of this, there are plans
20 around the country, I know you are looking
21 at them.

22 I think it's very important that the
23 public sector gets involved in this. That
24 government gets involved in this to make

1 sure that fees are low and that risk is
2 managed. Because we find that even people
3 who do have access to plans at work and even
4 if they participate, they don't do very well
5 for a variety of reasons in many cases. One
6 of the main reasons is that the private
7 sector is sort of siphoning off a lot of
8 this in terms of high fees. The other thing
9 is that these plans can quite risky.

10 We can take later, if you want, about
11 models that work. But I think that it is
12 nevertheless true that the single worse
13 thing is not having access to anything at
14 all. Theoretically, workers -- I mean, who
15 don't have access can go to an IRA.

16 But what we know about IRAs is that
17 people, A, don't participate for the most
18 part. Most money that's in IRA plans is
19 rolled over from 401K plans, not something
20 that people save by themselves. And B,
21 people are -- it's kind of the Wild West, I
22 call it. People are subject to even higher
23 fees on average and lower returns on average
24 with IRAs. So if you do something that's

1 modeled on an IRA, you can do it. But do it
2 in a way that makes sure that plan providers
3 and the investment options are appropriate
4 for small savers to make sure that if they
5 do put money away, that it won't end up
6 costing them.

7 Thank you very much.

8 MS. OAKLEY: Thank you Madam Chair and
9 Members of the Council. I did give you a
10 longer statement. I'm going to take your
11 cue and --

12 COUNCILWOMAN PARKER: Please identify
13 yourself for the record.

14 MS. OAKLEY: Oh, I'm sorry. I'm Diane
15 Oakley. I'm the Executive Director for an
16 organization called the National Institute
17 on Retirement Security. We do retirement
18 research both on defined benefit and defined
19 contribution plans and on the importance of
20 retirement security for Americans and what
21 that means to our communities. So, I am
22 very happy to be here with you and share the
23 results of our research.

24 My written statement is fairly long, but

1 I'm going to go through some slides with
2 you. I think the clicker is here.

3 (Begins using slides.)

4 So, what I would just like to start out
5 with is, you know, you are right on track.
6 The American people know there is a
7 retirement savings crisis. And when we ask
8 the question, 86 percent of Americans that
9 we surveyed nationally said that there is a
10 retirement crisis. And in fact, 57 percent
11 agreed with that strongly. And that goes
12 across income and across gender. A little
13 bit more for women would say that there's a
14 crisis than men. But overall, I think there
15 is strong belief that we need to do
16 something.

17 And everybody understands that it's
18 going to be much harder to retirement in the
19 future. Some of the reasons why, and again
20 Monique talked a lot about this. But to
21 look at it in a simple way. When we look
22 at -- and we are using some of the same
23 database here, the Fed Reserve Data on
24 households that have retirement accounts.

1 If you look at the top quarter, nine out of
2 ten have a retirement account in those
3 households. Some of them may not have one
4 because they don't need one. They have
5 enough of their money.

6 If you look at the lowest quintile, it's
7 one out of five who have a retirement
8 account. So, there is a big disparity in
9 terms of having a retirement account. A lot
10 of that comes because of income. And a lot
11 of the discussion -- I am going to talk
12 about the typical household. I will also
13 talk about the median. That's the household
14 right at the middle of the income spectrum.
15 So, half of the households above that level
16 are better than that household in terms of
17 income. Half of them are below that.

18 But when we look at income from those
19 accounts and we look at what is the value in
20 those accounts people look at me. And when
21 I share these numbers, they often say that
22 can't be true. Again, this is all based on
23 data from the Federal Reserve Bank of the
24 United States and surveys that they've done.

1 Too often we hear figures about people's
2 retirement savings and it's from
3 organizations that are telling us these are
4 the people that have accounts with us and
5 this is what their balance is. What we
6 don't know, and this is important for your
7 purposes, is what about those individuals
8 who don't have accounts. And there are
9 about 40 million households nationally that
10 don't even have a retirement account in that
11 household. And when we put those people
12 into the dimension, we get a very different
13 picture of a retirement savings.

14 This slide that I have up here, the
15 yellow bars are if you just look at the
16 households that have retirement accounts,
17 you think, well, we have got challenges, but
18 the average account balance and the median
19 account balance is \$50,000. If they are ten
20 years away from retirement, median is about
21 \$104,000. That's not great, but it's not
22 bad. We are somewhere there.

23 If you look at all working households,
24 then you get a very different picture. And

1 the median account balance is 20 times less
2 than that \$50,000. It's \$2,500. If you
3 look at the income, the amount saved in
4 retirement accounts by individuals between
5 ages 55 and 64, it's \$14,000. That's
6 roughly one year's Social Security payment
7 to the typical retiree.

8 You know, Monique talked about
9 concentration. And I used to work for a
10 Member of Congress from North Dakota who was
11 very much involved in pensions. And this
12 wasn't in my testimony, so I'm going to go a
13 little off record here. There was one data
14 point that came off the Federal -- the
15 Federal Government has something called the
16 Government Accountability Office. And that
17 Government Accountability Office was asked
18 to do an analysis of the baby boomer's
19 financial assets.

20 And so when they looked at the financial
21 assets of the baby boomers, this would
22 include retirement accounts and other cash
23 type of accounts, savings accounts, money
24 and brokerage accounts. What it found was

1 that the top 5 percent of the baby boomers
2 owned 50 percent of the baby boomers'
3 assets. And that the bottom half of the
4 baby boomers owned 3 percent of the baby
5 boomers' assets. We updated that and found
6 that the general trend stood true in about
7 2010.

8 But then we also said, what if we just
9 restrict it to retirement accounts? You
10 know, Monique talked about the rules of the
11 Federal Government to ensure that we're not
12 putting too much emphasis on the high end
13 and making sure that people at the low end
14 get a benefit. Well, that bottom half when
15 it comes to retirement accounts, instead of
16 3 percent, they have 4 percent. Now, that
17 goes for half of the households across the
18 baby boomer generation. Some of them will
19 already retire, most of them in that 55 to
20 64 category. So when we look at that, I
21 think we do have some real challenges.

22 In addition to that, we say, okay, these
23 are just regular numbers. What does
24 retirement savings look like? Monique

1 talked about the need to get to that. She's
2 talked about ten. Fidelity actually puts a
3 paper out, and they talked about by the time
4 you are 67, they feel their participants
5 ought to have eight times their salaries
6 saved.

7 So we say, well, what do we look like if
8 we look at individuals -- what kind of
9 percent of pay is their retirement savings?
10 And what we found out, first of all, is that
11 four out of five households have nothing --
12 have less than one times their salary saved
13 for retirement. Now, that's really good if
14 you're about 30 years old. You'd be right
15 on track. So, 80 percent of us are on track
16 if we're all 30 years old. Unfortunately,
17 some of us are like me and we are not 30
18 years old. So, we are a little bit closer
19 to the other side of the scale.

20 But even when we look at -- and I
21 circled in my chart, the people between ages
22 55 and 64, 30 percent of them have nothing
23 saved. Another 33 percent have less than
24 one times their salary. Only 9.9 percent

1 have four times their salary put away for
2 retirement. And four times your salary at
3 that age is still putting you behind where
4 you should be. Fidelity says by 55, you
5 ought to have five times your salary saved.

6 So when we think about that, that's --
7 think about the small numbers. We did this
8 in an aggregate basis, not even looking at
9 retirement accounts but looking at housing
10 equity in the Federal Reserve data. And
11 what we found was that roughly two-thirds of
12 the Americans are not on track to meet these
13 types of standards. When we said, well
14 let's just cut that by 25 percent because
15 maybe when you retire you can cut your
16 expenses by 25 percent. So, the same
17 standard of living doesn't necessarily have
18 to apply. Six out of ten still were not on
19 track to be where they needed to be.

20 So, we do have a crisis. A lot of that
21 does come from the access. Monique talked
22 about people of color. I want to just
23 reinforce some of that, as well. We have
24 looked at this data. And here what we do is

1 we give you access in the green lines and
2 actual participation rates in the yellow
3 lines. And we looked at the whole work
4 force, and then we broke it out by White,
5 Hispanic, Black and Latino. And in
6 particular, the Latinos have a much lower
7 access than Whites. In terms of access,
8 White American households have -- or
9 employees have about a 62 percent access
10 rate. They have an employer that offers a
11 plan. They can choose to participate in it.
12 When it comes to participation, about 53.

13 When we look at the Latino worker, only
14 38 percent of their employer's offer them a
15 plan. And there are roughly about
16 30 percent of them choose to save. So, we
17 see a real challenge right there for that
18 community of color. The African-Americans
19 have slightly less severe situation, but
20 still much lower than Whites. And again,
21 this magnifies when we actually look at the
22 account balances held by those people who
23 have accounts.

24 What's hard for people to also

1 understand, when I talked about the average
2 household having 2,500, when we go into the
3 Black and Latino community, the median
4 household has zero retirement savings. So,
5 the household at the 50 percent of the
6 income level, has no retirement savings at
7 all. You have to go almost up to the top
8 20, 25 percent of each of those categories.
9 But when we look at people who have
10 accounts, one of the things we see is that
11 the value for all ages of accounts is about
12 one-sixth for people of color of what White
13 households have in terms of their retirement
14 savings. So, we're in the average savings
15 for White households between 25 and 64 would
16 be a 112,000. In a Black household, it's
17 roughly about 20,000. So, we definitely see
18 some disparities in those areas.

19 One thing I would like to talk a little
20 bit about is retirees. NIRS has done some
21 research on how having a pension, a defined
22 benefit plan, impacts poverty rates among
23 older households. And one of the things
24 that we -- that this chart does is it looks

1 at the rate of poverty and it breaks it down
2 by male and female the right hand -- on the
3 left-hand side. On the right-hand side it's
4 broken down by race. The green lines are
5 for those individual -- those households
6 that do not have a DB plan as a source of
7 retirement income. And what we see again is
8 the poverty rates for Whites, about half of
9 the poverty rates for people of color. And
10 similar disparity for males and females.

11 What we found, again, this gets to, you
12 know, Monique's point about how things were
13 generally much more closer, the grey lines
14 are for defined benefit plans. And so when
15 we look at what defined benefit plans are
16 able to do to keep people out of poverty, we
17 really see that it really almost eliminates
18 some of that racial gap that we have seen.
19 Now as we look for -- part of our reason and
20 focusing also on DB plans, there really
21 isn't good data in the sources so far when
22 we did this report about defined
23 contribution plans. For retirees today,
24 defined contribution plans are still a very

1 minute source of income.

2 We just did an analysis looking at women
3 and men and retirement income. And DC plan
4 benefits is less than 2 or 3 percent of the
5 typical household source of income, where
6 pension plans are about 20 percent.

7 What I'd would like to talk one more
8 point again is when individuals know that
9 they have a secure source of retirement
10 income. Tony talked about how important
11 that is for the individual. It's also
12 important for us in the greater economy.
13 Because those individuals can spend that
14 money. And we have done some -- research
15 has been done about Social Security. Social
16 Security is a great economic stabilizer in
17 the economy. And the same thing happens
18 with defined benefit plans. What we found
19 is basically almost a trillion dollars in
20 economic activity is supported by benefits
21 we paid in 2012 to retirees in the public
22 and private sector. And it's those payments
23 then also supported about 6 million jobs in
24 the economy. In the State of Pennsylvania

1 specifically, it generated about \$17 billion
2 in economic activity. And those types of
3 payments supported 122,000 jobs in the State
4 of Pennsylvania.

5 So, pensions are not just something for
6 the individual households. They really are
7 something that ultimately come back into the
8 community. And so while there may be some
9 economic costs that you will hear from
10 people, well, if I put this money away, I
11 can't spend it; ultimately, that does come
12 back and help the community. Because when
13 these people retire, like we heard from our
14 first witnesses in your panel, you know, the
15 woman who talked about having a 401K plan
16 who had to take money out of that plan for
17 key things, if she didn't have that access
18 to cash, the place she would probably have
19 to go would be to take her Social Security
20 check and go to a payday lender and end up
21 trying to get a loan from a payday lender,
22 getting into a very difficult financial
23 situation where she may not be able to pay
24 that loan back and it will just grow in

1 bounds.

2 The defined contribution plans, I think,
3 do have a place. I think the access is
4 important. They really do become important.
5 And one of the key things I think especially
6 as we look at Pennsylvania, we did an
7 analysis where we look at the outlook for
8 retirement security. Overall, Pennsylvania
9 is about average. We didn't get down to
10 Philadelphia thing.

11 But a couple of key things about
12 expenditures. Expenditures for people for
13 healthcare are higher than average. And the
14 typical out-of-pocket costs for healthcare
15 for retirees is about \$1,900 in the State of
16 Pennsylvania. In the State of Pennsylvania,
17 a third of retirees are spending more than
18 30 percent of their household income on
19 housing. So those key costs are real
20 important in terms of what retirees face.

21 So, I do think we have to find ways to
22 expand coverage. Having some type of plan,
23 be provided through the employer is the most
24 important way. I mean, everybody in the

1 financial services community will tell you,
2 and I got here just after ERISA passed. I
3 started working at a financial firm in 1975,
4 so I dealt with ERISA from its beginning til
5 now. You know, if people have a retirement
6 plan, what it enables them to do is pay
7 themselves first. So, that money goes into
8 an account for them. And if they don't have
9 that and they wait until the end of the
10 month, we know too often the money isn't
11 there. And that is why there is that big
12 difference between people who have a plan
13 through an employer and people who don't.

14 That payroll feature is critically
15 important in getting people to save.

16 Thank you.

17 COUNCILWOMAN PARKER: Thank you.

18 MR. SCOTT: I am John Scott. And I am
19 Director of Retirement Savings Project with
20 the Pew Charitable Trust. I will try and go
21 through my slides pretty quickly because I
22 think there is some complementary in our
23 presentation and what's already been said.

24 Let me just say very briefly, for many

1 Americans setting aside money through
2 workplace retirement plan is a critical part
3 of ensuring financial security in old age.
4 But if coverage gaps contribute to increased
5 poverty and retirement, it's important to
6 also note that state and local governments
7 will likely face higher social assistance
8 expenditure. So, it's a critical issue not
9 just for savers but also for the community
10 as Diane mentioned but for cities like
11 Philadelphia.

12 (Begins using slides.)

13 Let me see if I can get this to work.
14 So, I will just quickly go over this because
15 I think it's already been noted. I would
16 like to focus on access and participation
17 today. Access means that an employer
18 sponsors a retirement plan for its workers,
19 although it doesn't necessarily mean that
20 the employer contributes to the plan.
21 Participation means those workers who take
22 part in the plan out of all workers
23 regardless of access. And we analyzed
24 private sector data at the national, state

1 and metropolitan levels. And let me just
2 quickly summarize some of the research.

3 So access and participation rates vary
4 widely across the country. For example, 70
5 percent of workers in Wisconsin have access
6 to an employer-based retirement plan
7 compared to 46 percent of workers in
8 Florida. We see the similar variation
9 across metropolitan areas. The access rate
10 among workers ranges from 71 percent in
11 Grand Rapids, Michigan to 23 percent in
12 McAllen, Texas. In Philadelphia, we have
13 found that 54 percent of all workers in the
14 private sector have access to a retirement
15 plan, while 43 percent participate in the
16 plan.

17 So what factors are associated with
18 these coverage gaps? Both employer and
19 worker characteristics are associated with
20 disparate levels of access. Let me just
21 briefly highlight a few.

22 Here we go. Access and participation
23 vary based on employer size. For example,
24 people working for small employers have

1 lower rates of access. In Philadelphia, Pew
2 finds only 25 percent of workers at firms
3 with fewer than 10 employees report having
4 access to workplace retirement plan compared
5 to 65 percent at firms with 500 or more
6 employees. In addition, as has been noted,
7 certain industries have different levels of
8 access; leisure and hospitality,
9 construction have much lower levels of
10 access and participation than other
11 industries like financial services.

12 But worker characteristics also matter.
13 For example, 62 percent of full time workers
14 have access to a plan, while 37 percent of
15 part time workers have access. When we look
16 at Philadelphians who actually participate
17 in a plan, 54 percent of full time workers
18 participate compared to just 21 percent of
19 part timers.

20 Plan access and participation also
21 differ substantially by income as has been
22 noted. In Philadelphia, only 33 percent of
23 workers with wage and salary income of less
24 than 25,000 have access to a retirement

1 plan. That rate rises to 73 percent of
2 workers with incomes above \$100,000. And of
3 course, access or some of the largest
4 differences are by race and ethnicity. Many
5 areas of the country have higher percentages
6 of Hispanics. They tend to have lower
7 access rates among Hispanic workers in
8 Philadelphia.

9 For example, access to a plan is around
10 17 percentage points below that for White,
11 non-Hispanic workers. Black and Asian
12 workers also report lower rates of access.
13 Other factors matter, of course, for example
14 younger workers and workers with less formal
15 education are less likely to have access to
16 a retirement plan.

17 There are several implications for
18 policy which we can discuss during the Q&A.
19 Previous work suggest the importance of
20 improving access to a workplace plan as a
21 way to increase retirement savings. For
22 example, even among workers with incomes
23 below \$25,000, many do participate when
24 given the opportunity to do so. Increasing

1 access to retirement plans would likely
2 improve retirement savings and the future
3 economic well being for many workers as well
4 as for state and local budgets. Our most
5 recent report discusses the broad range of
6 policy proposals that have been introduced
7 at the state levels -- state level in recent
8 years and the policy tradeoffs among those
9 different initiatives.

10 We can discuss those further.
11 Metropolitan areas can pose challenges for
12 implementing policy initiatives for
13 retirement savings, but at the same time
14 metropolitan areas also present
15 opportunities for policymakers like
16 yourselves, target policy interventions and
17 outreach, for example, that use community
18 groups and neighborhood associations could
19 have dramatic and positive effects for many
20 new policies.

21 More implications for policy are in our
22 written research reports which we have
23 noted. Thank you again for the opportunity
24 to testify. And pleased to answer any

1 questions.

2 COUNCILWOMAN PARKER: Thank you so very
3 much for your testimony. I want each of
4 you, if you will, I want to give you this
5 hypothetical. We wanted you here because we
6 consider you a valuable part of the brain
7 trust because you conduct the research and
8 the facts that many policymakers rely on to
9 help sort of shape the direction of the
10 decisions that they make.

11 There is someone in some audience
12 somewhere watching this hearing today.
13 They're thinking about your comments,
14 Monique, in regards to the Social Security
15 fix needed to address this crisis. There is
16 someone somewhere saying it is the Federal
17 Government's responsibility to do exactly
18 what Monique mentioned and fix our
19 challenges with the Social Security system.
20 And there is no role for cities like the
21 City of Philadelphia to be engaged in this
22 discussion. And if you do want to find a
23 fix, it should literally come from the state
24 government.

1 And so with that being said, I want you
2 to give me your response about whether or
3 not municipalities have a role in this
4 discussion and should we even be a part of
5 it?

6 Second, I want you to tell me about any
7 other municipalities, large cities across
8 the U.S. who you know are generating
9 discussion about this -- about this issue
10 and what are some of the potential thoughts?
11 It doesn't have to be anything etched in
12 stone because I don't think any other city
13 has etched anything in stone. But it is
14 your -- what you do on a daily basis is keep
15 your fingers on the pulse of what's
16 happening. You can either sort of just
17 provide some input into those comments.

18 And let me also note for the record,
19 that we've been joined but our Vice Chair,
20 Councilman Brian O'Neill. And I do need to
21 state for the record, we are on the second
22 panel -- third panel right now, Councilman
23 O'Neill.

24 But I want all of those in attendance to

1 know that Councilman Brian O'Neill, aside
2 from being a Vice Chair of this Committee
3 and a long term Member of this Body, is the
4 sort of ranking and veteran member and
5 active participant of the National League of
6 Cities. So obviously, all of the
7 information and the table that he has access
8 to voice his concerns regarding this issue
9 is extremely important.

10 Hate to put you on the spot, Councilman
11 O'Neill, but it is important when you are at
12 the table with leaders of other
13 municipalities across the state, so thank
14 you.

15 MR. SCOTT: I'll go first.

16 Answer your first question as to what's
17 the role of municipality versus the state
18 versus the Federal Government, you know, I'm
19 not here to advocate for one versus the
20 other. I think there are pros and cons with
21 different approaches. Obviously, if you
22 have a federal solution to these problems,
23 and they are problems, you impact more
24 people.

1 There is an argument for uniformity
2 particularly if you have employers that are
3 operating in different jurisdictions across
4 states and different cities. Having a
5 standard set of rules for retirement
6 benefits, obviously, is a good thing from
7 their perspective. And it's a good thing
8 for workers that might be more mobile today
9 than they were in the past.

10 That said, if there is inaction at the
11 federal or state levels, I think it's
12 certainly appropriate for cities like
13 Philadelphia to look at what's available for
14 them to do. There is certainly a large city
15 like Philadelphia can impact a lot of people
16 within its borders, the workers who come and
17 work here and live here every day. So
18 absolutely, I think there is a role for our
19 cities to at least explore what the options
20 are for them.

21 In terms of municipalities, and I
22 certainly welcome comments on this to
23 augment my knowledge, obviously, New York
24 City is one of the cities that are looking

1 at this issue. We have heard reports of the
2 City of Seattle are interested in this, as
3 well.

4 So, that's as far as the extent of my
5 knowledge.

6 MS. OAKLEY: I would sort of echo.
7 Ultimately, what we -- this trend towards
8 defined contribution accounts says that
9 every household has to be concerned about
10 retirement savings. And to a large extent,
11 you at the City Council level are the
12 closest to those people in your community
13 who have this concern, so you hear it first.

14 You know, Social Security is an
15 important program. I agree with Monique.
16 We need to fix Social Security. And we can
17 do that. We just -- we also need to have
18 the political will. Just yesterday I was at
19 a meeting, a group, a bipartisan group
20 talked about some reforms of Social Security
21 that they've been able to come up. They may
22 not please everyone. And ultimately, that's
23 part of politics is coming to that
24 compromise. I know that having worked in

1 the U.S. Congress as a staff person.
2 Finding those compromises are important.
3 And sometimes it takes a while to get there.

4 But I think as our -- Tony mentioned,
5 you know, one of the things that we are
6 doing when you move to a defined
7 contribution plan, compound interest is your
8 most important tool. And every day that you
9 wait to get a solution means you have to --
10 you have to put more money, and compound
11 interest doesn't work as well for you. And
12 compound interest is really the miracle that
13 makes those accounts work.

14 But in reality, ultimately, the reality
15 of what the problem will be if we get 40
16 years or 20 years down the rode and we have
17 retirees who don't have enough money to pay
18 for their housing, to pay for the
19 medication, to feed themselves, you are
20 going to be the first core of response. And
21 that's going to have an impact on your
22 budget, on your social support network.

23 And that's why I think it's important to
24 look at the poverty rates of people without

1 any retirement savings. They are huge in
2 our communities. And we see that especially
3 in the urban centers. I agree with John. I
4 know people in New York who are working on
5 this. I understand Seattle and a few
6 others. But I also in January had an
7 opportunity to meet with a lot of urban
8 leaders who are concerned about this issue
9 and gave them a presentation very similar to
10 what I shared with you today.

11 And I think they went back to their
12 cities and started to look at how do we deal
13 with this. Because ultimately, as Tony laid
14 out in his data, the crisis in the cities is
15 here today because of your poverty levels.
16 The poverty rate for seniors in the State of
17 Pennsylvania I think is about 9.3 percent
18 when we looked into our analysis in 2012.
19 And the poverty rate here from Tony's data
20 is much higher than that.

21 So you're sort of the epicenter of that.
22 I do think it's important to look to try to
23 find solutions. I know getting there will
24 be a challenge with all the legal

1 regulations. But it's this type of dialogue
2 that we really need to have across the
3 country. Monique mentioned when it comes to
4 Social Security, we have a phenomenal amount
5 of support. 75 percent of Americans say we
6 need to fix Social Security. We are willing
7 to pay more for it. This is an important
8 core program. And yet, we can't quite get
9 that done in Washington, so where do we
10 start?

11 We can't keep on just pushing it off to
12 tomorrow. Because within 18 years, Social
13 Security trust fund will run out of money.
14 And it will only be able to pay benefits to
15 the extent it gets cash flow in from those
16 people contributing. And that could mean
17 the benefits that we are currently paying
18 under Social Security will only be about 23
19 to 25 percent less than what people get
20 today. And that will have a huge impact
21 again on your community and not only on the
22 people who get the benefits, but the
23 individuals and the businesses, the small
24 businesses, where they save.

1 We are not looking at this from a big
2 picture. And we need to look at it from
3 that big picture.

4 COUNCILWOMAN PARKER: Let me also ask
5 can you -- and Tony, if any of you, if you
6 have to come back up, that's fine.

7 Do any of you have any updates on the
8 Department of Labor's regulations
9 eliminating ERISA preemption of major
10 cities?

11 I will dare tell you when we first
12 started moving and working to put together
13 our resolution, we had obviously seen the
14 work that you mentioned in our testimony,
15 that New York had engaged in. But we were
16 also very much impressed with New York
17 Mayor's -- I know we're going to hear from
18 his office next, de Blasio's office -- who
19 had actually sent a letter to the Department
20 of Labor asking it to reconsider its ruling
21 and to think about large cities.

22 So, have you heard any other sentiments
23 as you've been traveling across the U.S.?

24 MS. MORRISEY: No. We were all waiting

1 to hear about the ERISA rule. I think that
2 in theory the Obama Administration supports
3 this, but they don't want to weaken ERISA
4 either. Trying to figure out how to thread
5 that needle, I think. Everybody is waiting
6 on that.

7 I just wanted to also say that I really
8 hope that the Philadelphia City Council does
9 not wait for national or state action.

10 Both, you know, bodies are polarized right
11 now and not moving anywhere. And one point
12 I wanted to make earlier is that the
13 statistics we've been looking at, some of
14 them look at the Philadelphia MSA, the metro
15 area. But Philadelphia itself has a
16 different demographic than some of the
17 statistics we are looking at. And so, the
18 minority issues that I raised earlier loom
19 larger even in the city than they do in the
20 general area.

21 And I think one of the things that I
22 always raise these issues of demographics
23 disparity. And I always worry a little bit
24 that people will think that that is somehow

1 reflects a problem in the community of not
2 saving enough. And I just want to like
3 preemptively say that that's not the case.

4 When people have access to accounts,
5 they -- you know, or to savings they do.
6 And one of the most striking things about
7 this is that minorities are overrepresented
8 in the public sector. And the public sector
9 jobs pay less, but they have better
10 benefits. My husband works for a union that
11 represents a lot of local public sectors
12 workers. And if you talk to school
13 janitors, people like that, these are people
14 who took these jobs because they have
15 pensions.

16 So people -- there is a very, very
17 strong desire to have retirement savings,
18 retirement security. It's not within our
19 means to provide pensions to private sector
20 workers because it's just -- that would --
21 that's much more complicated thing to do.
22 But please, do not think that the problem of
23 lack of savings in less educated or minority
24 or less paid communities reflects not a

1 desire to save. It's a lack of access to
2 appropriate low costs, low risk savings
3 accounts.

4 And along those lines, I also want to
5 point out that I remember when the states
6 first started getting involved in this. And
7 back really, really in the early days, there
8 was a lot of push back from industry. And a
9 lot of that push back also meant that what
10 industry wanted out of these deals was to be
11 able to keep on taking, you know, very high
12 cost fees, very inappropriate investment
13 options.

14 And I am actually presently surprised
15 that the states like California that have
16 pushed forward on this, have managed to keep
17 these forces at bay a little bit. It's not
18 just important to provide access. But we
19 want to make sure that people -- we are not
20 steering people to save in accounts that are
21 inappropriately risky or high fee. And I
22 think that, you know, that this is something
23 that actually is easier was -- there was a
24 big push back from industry, but it's not

1 quite as bad as it was in the early days.
2 And that provides a real opportunity for
3 Philadelphia to offer something that is
4 really -- would be a very good, not simply
5 convenient but actually appropriate and high
6 quality savings vehicle for workers.

7 COUNCILWOMAN PARKER: Let me just make a
8 note for housekeeping. Because we are
9 running almost a little short on time, our
10 next two panels, Panels 4 and 5, we're going
11 to ask you to have a seat together. There
12 are only three chairs, that just means pull
13 an additional chair up. And Kathleen
14 Kennedy Townsend; Philip Dukes from the
15 Mayor's Office of Pensions and Investments;
16 Stephen Herzenberg, the Executive Director
17 of Keystone Research Center; and Lydia
18 Hernandez Velez, Deputy Managing Director
19 for Mayor's Commission on Aging. That means
20 all four of you will be seated first.

21 (Witness approaches Table.)

22 And Lieutenant Governor, we are going to
23 start with you first. Okay. And we do have
24 some additional questions because you all

1 didn't talk to us about the power of
2 annuitization. You didn't mention anything
3 about that. We also wanted you from a
4 research perspective to talk about the
5 pooling or risks. And what we will do is
6 provide you with a list of questions. And
7 if you could reply to us, we can get them to
8 the stenographer. Because it's important to
9 make every -- every answer that you can in
10 response to our questions a part of the
11 public record because this is going to
12 become the foundation for that commission
13 that we talked about establishing formally
14 in the City of Philadelphia.

15 We hate to meticulously burden you as if
16 you work for the City of Philadelphia, but
17 your research and prowess is extremely
18 important to us. So thank you each and
19 every one of you for being here.

20 (Witnesses continue to approach Table.)

21 Again, when you start, just please
22 identify yourself for the record.

23 MS. TOWNSEND: Thank you so much.
24 You've been very patient to listen to all of

1 these panels. And I have some slides. And
2 I will try to go through this fairly quickly
3 because I know you've been sitting here for
4 quite a while this morning.

5 As you heard before, people are worried
6 about retirement. 77 percent of Americans
7 are worried, more worried about retirement
8 than they are about death. And 82 percent
9 of -- how does this work?

10 Oh, I have to do it. (Indicating towards
11 slide projector.)

12 COUNCILWOMAN PARKER: And can you please
13 state by identifying yourself for the
14 record.

15 MS. TOWNSEND: I'm Kathleen Kennedy
16 Townsend. I'm the Former Lieutenant
17 Governor of Maryland. And I was Chair of
18 the task force in Maryland on retirement
19 security. And just this legislative
20 session, we passed legislation on retirement
21 security, which will go into effect next
22 year which I will talk about.

23 So here we have the scary idea that 77
24 percent of Maryland -- of Americans are more

1 worried about retirement than they are about
2 death. An 82 percent of Americans with
3 children are more scared about retirement
4 than they are about death. And that comes
5 from Diane Oakley's research. Thank you,
6 Diane, who you heard about earlier.

7 What we found in Maryland is that
8 although 52 percent of Marylanders have a
9 retirement plan, it's gone down 10 percent
10 in the last ten years. And as you've heard
11 over and over again this morning, it's worse
12 for minorities than it is for the rest of
13 the population. And Maryland is in pretty
14 good shape because so many Marylanders work
15 for the government.

16 To get right to the point, we were very
17 fortunate that Tom Perez who is now the
18 Secretary of Labor, was the Secretary of
19 Labor in the State of Maryland. And really
20 made an effort to make sure that the states
21 would be able to have a Safe Harbor if they
22 wanted to pass legislation that would not be
23 ERISA -- under ERISA. I personally like
24 ERISA, so I thought that was unfortunate

1 that so many states don't want to be under
2 ERISA. But that is a personal view on my
3 part. And I can get into why I think ERISA
4 is fabulous, but many states don't like it.
5 They are ignorant if you ask me.

6 Now, there are three different ways that
7 I think you could develop a plan that would
8 help your private sector employees --
9 private sector employees develop a plan.
10 One is the Individual Retirement Account
11 which is really what five of the states are
12 doing. One is the multiple employer plan
13 which is the one I would like. And the
14 other is the clearinghouse, which I think is
15 a terrible idea. Two states have gone down
16 that path. So, I'm not going to go down
17 that.

18 The Individual Retirement Account is
19 what we have done in the State of Maryland.
20 And just to describe it briefly, we have a
21 nine person board. We have a range of
22 options that the board will develop. And
23 we'll have a default option. That is
24 basically also -- that is what we are doing

1 in the State of Maryland. And that's very
2 similar to what Connecticut is doing. And
3 we will make sure that we will not come
4 under ERISA.

5 To be eligible it will -- the most
6 interesting thing, and I think that what you
7 should look into, what we decided to do in
8 Maryland is to require anybody who has an
9 automatic payroll deduction -- applies to
10 everybody who has an automatic payroll
11 deduction because we thought that would make
12 it easy. So, it wouldn't really cost
13 businesses very much to do if it's automatic
14 because they just have to add another line.
15 If they don't have an automatic payroll, it
16 would be a pain in the neck to actually have
17 to comply with this, so I suggest that you
18 do that. You know, don't do it by number of
19 employees. Don't do it 25 employees which
20 they do in Illinois or 10 employees or 5
21 employees. Basically, automatic employees.

22 And that should cover, at least we think
23 that covers, about 90 percent of employees.
24 Most -- the very small businesses don't do

1 it, but it should cover about 90 percent of
2 employees. And we also in the State of
3 Maryland said that employees of
4 non-participating employers may elect to
5 participate. If you are in one of those two
6 employees or you -- an employer/employee of
7 one of those teensy tiny businesses, you can
8 say, hey, I want to participate in the
9 program. You can do it, okay? And I think
10 that's interesting and important.

11 Now this is -- I don't know if any of
12 you can see this slide. But basically what
13 this slide shows is what happens if your
14 contribution rate is 3 percent or your
15 contribution rate is 6 percent. And what we
16 took is the average -- what an average
17 employee makes, an average American makes.
18 Starts at \$25,000. And over the course of
19 his career, makes \$46,000. I expect that
20 that's probably higher than in the City of
21 Philadelphia.

22 But what you can see from that slide,
23 it's really depressing to tell you the
24 truth. And this is why everybody who said

1 that we should increase the amount of Social
2 Security is completely correct. You can see
3 that the Social Security paycheck is 30
4 percent of final salary. So if you just
5 have to rely on Social Security, you're 30
6 percent of salary. That's it. If you
7 contribute 3 percent of your salary in this
8 IRA that makes -- I can go through the
9 market assumptions if you went, you can get
10 another 12 percent of salary which brings
11 you up to 42 percent of final salary. And
12 if you contribute 6 percent which -- with an
13 automatic enrollment, you can do that. You
14 can go up to 54 percent of final salary.

15 Now what the studies have shown, that
16 people who make under \$32,000 a year, under
17 \$30,000 a year, if you do automatic
18 enrollment will go from 27 percent
19 participation to 67 percent participation.
20 In England, they have gone up to 91 percent
21 participation with an automatic enrollment.
22 I don't know what you'll find in the City of
23 Philadelphia. I can't predict. But the
24 point is with automatic enrollment, people

1 participate.

2 And if you can do that and you can do it
3 up to 6 percent, you will get up to 54
4 percent of salary. There are some people
5 who would like it with an automatic
6 escalation which we did not include in this
7 slide, that you want to escalate up to
8 10 percent. At 10 percent, people start to
9 drop out, so I would not recommend it.

10 Okay.

11 I'm now going to skip the next slide
12 because that shows you how much, how
13 expensive this might be. If you want to get
14 into that, I will talk to you offline. If
15 you actually pass this, we can get into how
16 expensive this is.

17 There are some states that didn't put
18 any money in their budget. Maryland is
19 putting money in the budget because we
20 decided we wouldn't raise money in the
21 private sector. California decided to raise
22 money in the private sector. Connecticut
23 and Maryland decided to put money in the
24 budget to pay for this. We are not -- the

1 way it works in Maryland is we put the money
2 in the budget. And then once we make money
3 off f our great investment returns, we will
4 pay it back.

5 I'm not going to get into that. That's
6 just too confusing for everybody and not
7 worthwhile for today.

8 That's the IRA plan. The plan that I
9 think is a better plan is under ERISA. And
10 why do I think it's better? Number one,
11 because you get -- you can get the employers
12 to contribute, which is a good idea. You
13 can get more money that way when an employer
14 can contribute. Two, you get much more
15 protection for the employees because you
16 have got this Federal Government that says
17 we should protect employees which you don't
18 get through an IRA. And you -- I think
19 that's a much better idea. And you get
20 spousal protection under the IRA.

21 If you don't do that, you can -- the
22 City of Philadelphia can do this. And this
23 is what Connecticut has done is said we
24 would like to all -- we would like similar

1 protections that ERISA offers. But then you
2 have to develop your own governance and your
3 own enforcement rules rather than have the
4 Department of Labor do it. And that's a
5 cost for the City of Philadelphia to do that
6 enforcement. The only problem is you cannot
7 require employer/employees to do ERISA
8 rules. You can just make it very attractive
9 whereas you can require the IRA rules. And
10 that's a big difference.

11 But you can, which is what the State of
12 Massachusetts is now trying to do, is make
13 it so attractive to do this that they won't
14 do the IRA.

15 That's the end of my presentation. I
16 think if you are really interested, I will
17 come and talk to you in greater detail.

18 Thank you very much.

19 MR. DUKES: Good morning, Chairwoman
20 Parker and fellow Councilmembers. My name
21 is Phil Dukes. I am Senior Policy Advisor
22 and Counsel to the New York City Mayor's
23 Office of Pension and Investments.

24 As you've heard from more than one

1 person this morning, retirement and security
2 is a clear and present crisis across the
3 United States. While the United States has
4 been leaders in attempting to bridge the
5 gap, larger cities such as New York have
6 also recognized the looming crisis and are
7 taking action. Mayor de Blasio working with
8 the New York City Council, public advocate
9 controller and others have been leading an
10 effort to provide real retirement solution
11 to those employees whose employers do not
12 provide retirement options.

13 We estimate there are 1.6 million
14 private sector payroll workers in New York
15 City alone who do not have a retirement
16 option at work. To that end, the City has
17 been working on legislation that will
18 establish a Citywide retirement option
19 called the Saving Access New York Retirement
20 Program. The legislation is nearly ready
21 for submission to the City Council.

22 The program as presently envisioned
23 would have the following components. In
24 overview, the program would be managed by a

1 board that is required -- who would require
2 mandatory participation with an automatic
3 payroll deduction from employee paychecks
4 with an employee opt out. Employee funds
5 would be deposited into a default Roth IRA
6 with the option to convert to a traditional
7 one.

8 There would be a default rate for
9 automatic payroll withdrawals with a
10 decrease in escalation option. The deposits
11 would be invested in a default target date
12 investment fund with an opt out to other
13 board approved investment options. The
14 program would be managed by a third party
15 administrator.

16 As proposed, all employers located in
17 the City of New York with ten or more
18 employees who have had ten or more employees
19 without interruption for two years and who
20 have not offered a retirement plan in the
21 last two years to its employees would be
22 mandated to participate in the program. All
23 monies collected by employers must be
24 forwarded to the program administrator by

1 the employer in a timely manner. And the
2 plan contains penalties for failure to admit
3 in a timely manner and for failure to enroll
4 employees.

5 Eligible employees will be those who are
6 18 or older, employed full or part time by a
7 City employer and whose employer has offered
8 no plan in the past two years. They would
9 be automatically enrolled. The default rate
10 we have determined at the beginning would be
11 3 percent, which would be deposited into a
12 Roth IRA. Employees may opt of the program
13 entirely, may opt to use a standard IRA
14 instead, and may opt to have automatic
15 withdrawals increased or decreased from the
16 default rate.

17 To protect enrollees, initial deposits
18 are placed in an escrow fund for 90 days
19 giving the employee the option within that
20 time frame to opt of the program without
21 penalty. Once past the 90 days, the funds
22 are deposited into target date investment
23 with an opt out to other investment options
24 to be approved by the board. Separate

1 records would be kept and available for each
2 employee account.

3 As with other states, the program would
4 be administered by a board with experience
5 in retirement savings plan administration or
6 investment, actuarial and demographic
7 matters, representation of an association of
8 eligible employees or representative of
9 participating employees, and/or
10 representation of governing employers such
11 as Chamber of Commerce.

12 The role of the board would be to
13 establish the parameters of the program,
14 preparing an RFP and hiring a third party
15 administrator, hiring employees, rule
16 making, reviewing and improving the
17 investment options designed by the third
18 party administrator and overseeing an annual
19 audit of the program. The board would also
20 be charged with adopting rules for phasing
21 the program across all employer classes,
22 establishing a process for individual
23 employers not mandated to participate in the
24 program for volunteer -- voluntarily

1 participate and to develop exemptions if
2 needed.

3 Our proposed legislation specifically
4 prohibits comingling of program funds with
5 city funds, clearly states that the city has
6 no proprietary interest in the program
7 funds. Bars the creation of city guarantees
8 or the guarantee of any rate of return,
9 clarifies the board members, city and others
10 are not liable for program losses, and
11 requires the board to exercise prudence,
12 discretion and intelligence in the exercise
13 of its duties. The program itself will be
14 accompanied by a substantial and robust
15 education program prior to the initial
16 launch and at the time of employee
17 enrollment. The educational component would
18 stress that neither the employer nor the
19 city would guarantee returns.

20 That's kind of the rough outline of the
21 program. There are a number of issues that
22 were touched upon relating to the U.S.
23 Department of Labor. And really before any
24 of our plans can come to fruition, there are

1 a few more obstacles in ur path. As has
2 been previously discussed, the DOL issued
3 proposed rules creating a Safe Harbor for
4 states. And New York City's program in
5 order to become active and functional is
6 going to require a number changes in the
7 proposed rule making. The first of which is
8 that the rule needs to be amended to allow
9 cities and municipalities to create such
10 programs.

11 At present, the draft rule only
12 addresses the states to access the Safe
13 Harbor. Secondly, the rule has to clarify
14 what the duty of the state, city or
15 municipalities have making it clear that
16 they either are or are not responsible for
17 security against employer malfeasance and
18 misuses and an overall guarantee against any
19 and all losses. And the rule must make
20 clear the states and cities and
21 municipalities may delegate legal
22 responsibility to a third-party
23 administrator for program investments in
24 administration.

1 Lastly, for the program to be
2 implemented, the city must be assured that
3 there will be no material liability to
4 taxpayers or the city for the program.

5 We appreciate the opportunity you have
6 given us to share our plans. And I would be
7 happy to answer questions at the appropriate
8 time.

9 COUNCILWOMAN PARKER: Thank you.

10 MR. HERZENBERG: My name is Stephen
11 Herzenberg. I'm an economist and the
12 Executive Director for Keystone Research
13 Center. Despite my accent, I was actually
14 born in Manchester, England. I miss it
15 terribly even though I left when I was 11
16 and more so as time goes on actually. I'm
17 also here from the peoples dysfunction in
18 Harrisburg, so please don't hold that
19 against me. And it's really in part because
20 of the context within which I work on a
21 daily basis that deepens my appreciation,
22 very great appreciation, for the leadership
23 of Councilwoman Parker and the other Members
24 of this Council.

1 Over the past four or five years, we
2 have spent a great deal of time more than I
3 ever thought I wanted to on the issue of
4 pensions, but it's all been around the issue
5 of the states underfunded pensions for state
6 workers and teachers. So, I am so thrilled
7 that this Council has chosen to reorient
8 their debate to what we regard as a real
9 retirement security crisis in American,
10 Pennsylvania, Philadelphia, which is the
11 collapse of retirement security in the
12 private sector.

13 So, we have covered a lot of ground.
14 So, I am going to focus on a few points that
15 haven't been made in precisely the way I
16 make them. This is a chart which shows --
17 the red line is the United States -- sorry,
18 the red line is Pennsylvania, sorry. The
19 blue line is the United States. What it is,
20 is the share of folks covered by any --
21 participating in any kind of retirement plan
22 through their job. Shows it from the end of
23 the 1970s to the most recent years.

24 And what it shows, Pennsylvania is

1 probably a little like Maryland this way.
2 Shows that Pennsylvania, the good news is
3 that Pennsylvania has more folk, the higher
4 share of folks participating in some kind of
5 retirement plan than the U.S. as a whole.
6 But the bad news is that the trend, while it
7 fluctuates, is over time down. And
8 actually, the decline in participation in
9 Pennsylvania is actually been slightly
10 larger than the decline in participation
11 nationally. So that -- that's one part of
12 the collapse of retirement security.

13 This is the other part. And again,
14 people have talked about the decline in the
15 defined benefit plan. What this shows is
16 again over time for the U.S., because that's
17 what data exists, the share of private
18 sector workers participating in defined
19 benefit plans at different points in time.
20 And it also shows that's the blue line. The
21 lower -- the line that goes down over time,
22 and then the red line is the share of folks
23 participating in defined contribution plan.

24 And what this shows, again, this starts

1 with a '89 and '90. My testimony takes the
2 data back -- there is no perfect source, to
3 about the 1980 when something over 60
4 percent of private sector full time workers
5 participated in a defined benefit plan.
6 This chart shows the number going from a
7 little over 40 percent in '89 and '90 to a
8 little over 20 percent in 2009. While the
9 share defined contribution plans, which if
10 you went back ten years earlier would have
11 been basically zero. It's climbed to
12 roughly half. And then there's a break in
13 the series because the data to the right of
14 that vertical line from 2010 forward is for
15 all employees. So, that's because you're
16 including not full-time employees. Lowers
17 both participation rates. But the trend,
18 particularly in terms of the decline,
19 defined benefit continues. So, we are now
20 at 15 percent nationally of employees
21 participating in defined benefit plans.

22 Okay. Folks have talked about, so I
23 don't need to, the inadequacy of defined
24 contribution plans at least in practice as

1 they are now with not enough money in most
2 accounts. With less participation and
3 radically less money in the accounts held by
4 minorities. And those trends in turn mean
5 more of the elderly and more of the minority
6 elderly are economically vulnerable in
7 retirement. And again, there's the source
8 of -- in my written testimony on that.

9 So turning Philadelphia. I know defined
10 benefit plans are not the focus of this
11 hearing, but we do think it's important to
12 note that it's very important that
13 Philadelphia maintain it's defined benefit
14 pensions in the public sector where they
15 exist. That is particularly important
16 partly to minorities in Philadelphia because
17 this is metro area data, again, for sample
18 size reasons. But more than one in six
19 employed African-Americans work for the
20 government versus only one in ten of
21 non-African-American workers. So, those
22 defined benefit plans are a critical source
23 of economic stability for African-American
24 families and neighborhoods. And despite the

1 attacks on them, I think we think you have
2 to hold onto them. We think it's a whole
3 host of other reasons to hold onto them in
4 the public sector where the stability of
5 employment and the longevity of the
6 employer, one hopes forever, make DB plans
7 still perfectly suitable designs.

8 The reasons to hold onto them include
9 the efficiency of defined benefit plan which
10 tends to get forgotten despite the best
11 efforts of Diane Oakley's organization to
12 educate people again and again about the
13 higher returns and lower costs of defined
14 benefit plans. Again in Pennsylvania, we
15 continue to hear at the state level
16 persistent attacks on defined benefit plans,
17 persistent discussion of we don't want to
18 expose the taxpayer to financial market
19 risk. Well, people tend to forget so
20 workers, middle and low income workers are
21 in better place to deal with financial
22 market risk than the government? No.

23 But second, when you understand the
24 efficiency arguments, the standard arguments

1 about avoiding future unfunded liabilities,
2 future financial market risk to the taxpayer
3 really amount to I want to avoid the risk of
4 higher costs in the future by guaranteeing
5 higher costs in the future. Which doesn't
6 really make a lot of sense as public policy.
7 Okay.

8 I can't resist. Again, no one else has
9 done it like this. Another part of the
10 standard debate, and I know you deal with
11 this here, too, as well as in Harrisburg is
12 relentless repetition of the size of
13 unfunded liabilities and the use of
14 political language like generational theft
15 to try get typical non-public sector workers
16 think that the biggest reason they're
17 after-tax wages aren't going up is because
18 of the cost of public sector pensions and
19 the size of these unfunded liabilities.

20 So what this chart shows is the actually
21 unfunded liabilities, the 5.3 billion I
22 think in Philadelphia are actually pretty
23 small compared to the transfer to the 1
24 percent in Philadelphia and in the metro

1 area from -- because of the increase in
2 inequality since the 1970s. So, the bar on
3 the left is the annualized cost of paying
4 down that 5.3 billion assuming you pay a
5 thirtieth of it each year. And then the
6 next two bars are the transfer, billions and
7 billions of dollars, between three and four
8 in Philadelphia alone on the order of 13
9 billion in the five county area on an annual
10 basis 2 or 1 percent because of the increase
11 in inequality.

12 Again, we think basically the harping on
13 unfunded pension liabilities and the use of
14 generational theft is a fairly
15 self-conscious effort to distract from the
16 much bigger problem of rising inequality.

17 So our two-point policy prescription on
18 pensions for a decade has been, first of
19 all, create some kind of retirement security
20 for all -- for the folks in the private
21 sector with nothing as you are talking about
22 doing now here in Philadelphia. And second,
23 adequately fund. Stop pretending the
24 funding each year is voluntary. And sure up

1 defined benefit pensions.

2 So in terms of that, again, we support
3 very much the kinds of directions that you
4 are exploring. Our testimony talks in more
5 detail about the Connecticut example. But I
6 don't need to go over that ground because
7 it's covered in writing and it's been
8 covered conceptually by the Lieutenant
9 Governor. So, one more thing about the
10 politics.

11 We have our advocacy for some kind of
12 retirement security from -- actually goes
13 back to the 2002 stated Working Pennsylvania
14 Report which actually led to a piece of
15 legislation. But was introduced several
16 sessions but never went anywhere. It's
17 different obviously now as this idea is
18 going somewhere in different states and
19 possibly now in municipalities.

20 We have -- in the current pension
21 context, we have shopped this idea with both
22 parties. And we are pleased to report that
23 both Senator Pat Browne who is the Majority
24 Chair of the Senate Appropriations Committee

1 and Senator John Blake who is regarded as
2 the most influential Democratic Senator of
3 these kinds of issues. Both are actually
4 very supportive of this general approach.
5 Senator Browne promised me that it would be
6 in the next pension bill, I think that means
7 the pension bill after they deal with the
8 public sector pension issues.

9 So again, as other people have pointed
10 out, these kinds of plans and particularly
11 the IRA version with no employer
12 contributions. It's not a panacea. It's a
13 start, a critical start.

14 And your leadership on this issue is so
15 critical not just to your constituents. But
16 we can use your leadership to level the
17 state level to also move in this direction.
18 So, keep doing what you're doing. Even
19 beyond this issue, the emergence of
20 Philadelphia as a real leader on the range
21 of progressive issues in this country is so
22 appreciated and so valuable to everyone in
23 the state.

24 Thank you.

1 MS. VELEZ: Good afternoon, Chairwoman
2 Parker and Members of Labor and Civil
3 Service. My name is Lydia Hernandez Velez.
4 And I'm the Deputy Managing Director for
5 Aging. I am here to testify on Resolution
6 No. 160105 which calls for public hearing
7 examining the state of retirement security
8 for private and public sector workers in the
9 City of Philadelphia.

10 First, I would like to thank you,
11 Chairwoman Parker, for bringing the issue of
12 retirement security to light, which is of
13 compelling importance both in Philadelphia
14 nationally. Retirement security is not
15 merely an issue for retirees, although
16 having the resources for a comfortable
17 retirement is a paramount economic justice
18 concern, it is an issue for Philadelphia
19 generally because it indicates the demand
20 for government services as well as consumer
21 spending.

22 The Mayor's Commission on Aging serves
23 Philadelphia residents over 55. And we see
24 firsthand the need for better paths to

1 security. On a daily basis, our job
2 development areas sees residents who seek to
3 connect to the workforce and whose skills
4 and experience has left them unsure about
5 how they will face the challenges that come
6 with not having the resources necessary to
7 continue to thrive in our City.

8 Through the month of May, we served
9 1,403 residents with job searches, resume
10 preparation and online job applications.
11 Our Information and Referral Office has seen
12 1,268 senior residents who sought assistance
13 with programs such as Supplemental
14 Nutritional Assistance Program, Rent and
15 Property Tax Rebate Program and other income
16 assistance.

17 As a side note, which is not in my
18 testimony -- but as the side note, this does
19 not include the numbers seen by our area
20 agency on aging, which is the Philadelphia
21 Corporation for Aging. This is just the
22 Mayor's Commission on Aging.

23 In light of the need and the Admin --
24 the Administration would welcome the

1 opportunity to work with Chairwoman Parker
2 and the City Council on identifying and
3 analyzing options for helping Philadelphians
4 achieve security in retirement. In that
5 regard, one option that has been raised
6 would be expanding the City's deferred
7 compensation for 57 B plan. This is an
8 optional benefit available to City employees
9 and can supplement other retirement
10 offerings such as pension benefits and
11 security.

12 At the moment, federal regulations
13 prevent the City from offering the plan to
14 the public, but is nonetheless continuing
15 discussion around this and other
16 possibilities. Accordingly, we look forward
17 to sitting down with any and all
18 stakeholders to further the dialogue on this
19 important issue.

20 And thank you, for the opportunity to
21 testify. I would be happy to answer any
22 questions.

23 COUNCILWOMAN PARKER: Thank you all so
24 very much for your patience. We know some

1 of us our racing to catch trains and things
2 of that nature.

3 Let me start with Councilman
4 Taubenberger who has a question.

5 COUNCILMAN TAUBENBERGER: I do. And I
6 want to thank the panel for taking not only
7 this panel but all the panels for taking the
8 time out of their busy schedule to give us
9 their advice. And it's been very bluntly
10 eye opening. And I want to also thank our
11 Chair, Councilwoman Parker, for putting this
12 forward so a proper discussion can be had.

13 I do have one question. And that is
14 directed to Mr. Philip Dukes, Senior Policy
15 Advisor to New York City Mayor de Blasio.

16 And thank you again for your testimony.
17 But I -- you have put or you're putting
18 together a program Saving Access New York
19 Retirement Program which I believe then
20 would be legislation.

21 MR. DUKES: Yes.

22 COUNCILMAN TAUBENBERGER: Also cited, if
23 I get this correct, and I appreciate the
24 detail. But you then also have some areas

1 of enabling legislation or policy changes
2 for this even to work; is that correct?

3 MR. DUKES: Correct. There is
4 essentially what you could politely call a
5 kill switch built into the bill. If the DOL
6 does not change the rules, we obviously
7 cannot proceed. If the states are the only
8 approved participants in the Safe Harbor,
9 obviously, that stops us. But there were a
10 number of areas in the DOL rule making that
11 were very vague. They use terms like safety
12 and security funds without defining what
13 that means.

14 COUNCILMAN TAUBENBERGER: Okay.

15 MR. DUKES: Are we the financial back
16 stop for any possible thing that could
17 happen in the program? Or is it when the
18 board engages in malfeasance or doesn't
19 follow its fiduciary responsibilities?

20 They are very different standards, so we
21 need clarity on what exactly we are walking
22 into under those rules. And the legislation
23 has a provision.

24 COUNCILMAN TAUBENBERGER: Would that

1 also be legislation or just policy changes
2 by the Department of Labor?

3 MR. DUKES: We have --

4 COUNCILMAN TAUBENBERGER: Or both?

5 MR. DUKES: Under the bill as it's
6 proposed at this moment the last time I saw
7 it, essentially the Director of the Office
8 of Management and Budget and the chief
9 counsel for the corporation have to sign off
10 on the fact that there's no material
11 liability to the city, and that we fall
12 under the Safe Harbor in a way that doesn't
13 expose us again to the material liability.
14 Without that, they won't sign off. And then
15 they bill just stalls.

16 So, we want to make progress. We want
17 to move this forward. But --

18 COUNCILMAN TAUBENBERGER: In that case,
19 your bill would not be introduced or will be
20 introduced regardless?

21 MR. DUKES: The bill is going to be
22 introduced whenever the City Council decides
23 it's going to do it. And it is not reliant
24 on signing off on essentially the kill

1 switch. I hate using that word, but that's
2 what it is. We are going to move forward in
3 the hopes that the DOL issues rules that
4 satisfy everyone and the program can move
5 forward.

6 COUNCILMAN TAUBENBERGER: All right.
7 Thank you very, very much.

8 Thank you, Chair.

9 MR. DUKES: If there are any other
10 questions, otherwise I have --

11 COUNCILWOMAN PARKER: We know you have
12 to go, but you have to let me state this for
13 the record. And please deliver this message
14 to Mayor de Blasio.

15 Second paragraph of your testimony you
16 describe what is often difficult for cities
17 across the nation to do. Mayor de Blasio,
18 working with Council and your public
19 advocate, who is a dynamo, and the
20 Comptroller who has more skin in the game
21 and has conducted research on this issue for
22 a very long, long time and others that
23 you've been sort of working, using a
24 collaborative approach to come up with what

1 the potential solution will be. And that is
2 often very difficult. And the most
3 challenging part of governance is allowing
4 all of these different entities to sort of
5 come together and work together.

6 So in this instance, you know, although
7 Philadelphia is the City of firsts, let me
8 just say when it comes to setting the issue
9 of retirement security on the municipal city
10 level, we need to say thank you to New York
11 City for your leadership. Because
12 everything that we did to prepare for this
13 hearing today was, in essence, pattern
14 earned after the work that was done in New
15 York City. Our Controller has also
16 completed a report. We are going to have
17 his testimony included in the record for
18 this hearing today. But New York has served
19 as the foundation.

20 So thank you New York City for your
21 leadership.

22 MR. DUKES: I will certainly pass that
23 along. Thank you very much.

24 COUNCILMAN TAUBENBERGER: And I second

1 that motion of praise.

2 COUNCILWOMAN PARKER: Thank you.

3 Lieutenant Governor, before you go, you
4 will have to describe this for us. A major
5 issue for us, and we have this issue to come
6 up about sort of portability, access to lump
7 sum -- access to lump sum versus the power
8 and stability of being able to guarantee an
9 assured income via annuity. And what that
10 -- how that impacts the overall economic
11 stability of the community.

12 Can you talk about the role that that
13 concept played in Maryland?

14 MS. TOWNSEND: First of all, you asked
15 about Connecticut. And Connecticut, in
16 their plan, originally said it would be 50
17 percent of what was -- first of all, the law
18 originally said it should be a guarantee.
19 And second of all, said that 50 percent
20 would be defaulted into an annuity. And the
21 other part should be an annuity unless you
22 opt out. That was how it was originally
23 done.

24 Through the testimony, they realized

1 that guarantee would be too expensive. So,
2 they didn't do a guarantee in the final
3 legislation. And they are still looking at
4 the annuity.

5 We like an annuity a lot. And so, we
6 are a big fan of annuity. And that is what
7 I showed you on our -- my slide, which is
8 how much would you get per month. And
9 that's because the whole idea is who cares
10 about a lump sum. The issue is, how much
11 are you -- what is your monthly payment?
12 And so, that is the way we wanted to think
13 about this. Not as a lump sum.

14 What I learned however is not to use the
15 word "annuity." Because annuity is a word
16 for the life insurance companies. And
17 monthly payment is used by both the
18 financial firms as well as life insurance
19 companies. And so, as a term of art for
20 life insurance companies. So, I've learned
21 to -- I was slapped down royally when I used
22 the word annuity, just so you know. I use
23 the word monthly payment if you go forward
24 on this.

1 We didn't -- and we couldn't use
2 guarantee because it was just too expensive.
3 What I suggest, there is -- there are a
4 number of ways that -- the question of how
5 you go forward on the guarantee is
6 difficult. I am not the best person to talk
7 about this. But I would suggest you get in
8 touch, and I will put you in touch with a
9 person who is a very close friend of mine,
10 Arune Mortalare, who has suggested that you
11 do -- that the Treasury Department offer
12 long term bonds, 20 year bonds, retirement
13 bonds which would be, he thinks, an
14 appropriate way for basically low income
15 people to get a guaranteed return. Because
16 he says why you are asking people to put
17 away their money and you don't want them to
18 put any of their money at risk.

19 So, that's one idea that would give them
20 an guaranteed income. They wouldn't get the
21 high return, but they wouldn't lose money
22 and they would get a return at the -- when
23 they retire. So, that's one option that I
24 think is worth putting on the table.

1 That's my answer. That's my best
2 answer. The problem is guarantees are
3 expensive. On the other hand, you are
4 working with people who you can not allow --
5 they are not allowed to lose money.

6 COUNCILWOMAN PARKER: Lieutenant
7 Governor, thank you so very much for your
8 testimony. And while this will conclude our
9 hearing, I want to just note for the record
10 or reaffirm that tomorrow this City Council
11 of Philadelphia will be introducing a
12 resolution calling for the creation of a
13 task force to develop a concrete plan on how
14 to address the issue of retirement security
15 in the private sector only since public
16 sector employee benefits are achieved via
17 collective bargaining. And our Mayor has
18 put together a task force to deal with
19 present and ongoing negotiations along with
20 our overall pension challenges. So Council,
21 the Mayor, and stakeholders in our region
22 are working together.

23 In addition to that, I want to just note
24 that the purpose of this hearing was not and

1 is not to be prescriptive as to a single
2 specific solution. For us, this was
3 investigatory. So, our intent was to gather
4 as many facts from those of you who know
5 this sector as possible. But the one thing
6 your testimony has firmed up for us, is that
7 we can no longer ignore this issue on this
8 side and that the time has come for us to
9 sort of put our brain power together and
10 figure out a solution.

11 So, Councilman Taubenberger, I need to
12 say thank you for your staying power.

13 MS. TOWNSEND: Yes. That was very
14 impressive.

15 COUNCILWOMAN PARKER: And after the last
16 witness testifies, we will ask if there is
17 anyone else to testify on this resolution?
18 If no one else wishes to testify on this
19 resolution, we are going to conclude.

20 So is there anyone else here to testify?

21 Okay. We want to --

22 I'm sorry. We have one other person in
23 the audience. I see Minister Rodney
24 Muhammad who is the President of the

1 Philadelphia chapter of the NAACP. Let me
2 say thank you to this panel.

3 And if the last two people, if you can
4 come forward.

5 (Witnesses approach Table.)

6 Thank you so very much. And could you
7 just state your name for the record.

8 MR. DONALDSON: Name is Charles
9 Donaldson, member of AFSCME, retired City
10 employee of 38 years. Before I start my
11 statement, I was very impressed by the facts
12 which some of them I knew that the dire
13 state of retirement for City and private
14 sector employees.

15 Being a City employee, I was more
16 interested in our dedicated pension. Some
17 things that weren't mentioned. Last I had
18 heard, and this was a few years ago, the
19 average City employee pension was averaging
20 about \$19,000 a year. And many City
21 employees are living under the poverty limit
22 with that income, so you can imagine the
23 first ladies that testified the dire
24 straights they were in which is much, much,

1 much, much less than that amount.

2 But I been a resident of City of
3 Philadelphia my whole life. Educated in the
4 City of Philadelphia. Homeowner in the City
5 of Philadelphia for over 43 years up in the
6 Mt. Airy area. Okay.

7 As a nearly ten-year retiree and 37 year
8 City employee, I and many other retirees are
9 very worried about the status of our pension
10 plan. When I started my career with the
11 City, my goals were not to make a large
12 salary but to help and mentor young people
13 as a Department of Recreation employee. I
14 have a degree in education and taught in the
15 School District of Philadelphia for a short
16 period of time. So, I truly believe in the
17 future of our youth.

18 I took the position with the City
19 because of employment security, health
20 benefits and the dedicated pension. Being
21 an active member of the District Council 47
22 for over 35 years as a steward, delegate
23 trustee, contract negotiating team member,
24 strike captain and executive board member, I

1 was happy that our union was able to through
2 negotiation keep these benefits intact.
3 Until now, we are hearing horror stories of
4 which you heard earlier. About how after
5 working towards a comfortable and stable
6 retirement our pension plans is severely
7 underfunded.

8 We put our share into this plan
9 throughout our working years thinking the
10 City was also living up to the agreement to
11 fund the plan. We now know that is not the
12 case. The pension plan is severely
13 underfunded and is getting worse day by day.
14 Will the day come when we see our pensions
15 cut like some other large municipalities in
16 the country. And have to worry about how to
17 pay for healthcare, deductibles, food and
18 other essentials.

19 For the most part, our employees and
20 retirees have been hard working, dedicated
21 individuals. We as retirees have done our
22 part serving the citizens of Philadelphia.
23 We are demanding that the dire situation
24 which we heard today we are working on with

1 our pension plan begin to be straightened
2 out as soon as possible. It was once said
3 that the moral test of government is how the
4 government treats the young and the elderly.
5 Our young and elderly need attention now.

6 Thank you for allowing me to give this
7 testimony.

8 MINISTER MUHAMMAD: Good afternoon.
9 Thank you for allowing me to come.

10 I'm Minister Rodney Muhammad. Minister
11 of Mosque No. 12 here in the City of
12 Philadelphia for the last 24 to 25 years.
13 And also, President of the Philadelphia
14 Branch of the NAACP. But aside from
15 ministry which cut off a career I was
16 building.

17 At one time, I was the last school
18 attendant at Depaul University. I was
19 accounting major and finance by education
20 and training. I also carried a Series 6
21 license, which licensed me to deal with
22 financial instruments like mutual funds and
23 other stock and bond products. I also
24 carried a Series 22 license which licensed

1 me to deal with equipment leasing and real
2 estate partnerships for building of
3 skyscrapers and cities and selling of
4 shares. And many of these buildings also
5 had a license to deal with variable
6 contracts, another name that the -- I think
7 the Lieutenant Governor from New York could
8 use for annuities.

9 But to say that, I dealt with
10 extensively with financial instruments and
11 was a professional estate planner for
12 companies for individuals and groups. One
13 of the things that I always remember is
14 this. There are three periods in life.

15 The first period is the learning period.
16 And during that time when people are growing
17 up and being educated, one of the things
18 that happens is in America, is that people
19 are educated but they are never -- they are
20 educated in a way that can go a command a
21 greater dollar for what they know, but they
22 are never taught. Despite what you take in
23 college, they are never taught how to handle
24 that money once they make it. And so, the

1 learning period is crucial because it takes
2 you to the next most crucial period which is
3 the earning period.

4 The earning period is the productive
5 period of a person's life which then take
6 them into stage three, which is the golden
7 age.

8 The golden age says now that they have
9 put a good nest egg together to be able to
10 live off it. But unfortunately, this has
11 not been the case for far too many. And the
12 problem is worsening. Social Security was
13 put up as a protection. But in truth, over
14 the last three or four decades, Americans
15 have been continually encouraged to take
16 retirement into their own hands. And that
17 is because they saw problems with people
18 going into past what's called a fixed income
19 situation. And too often, the dollars that
20 they have to use are not really being
21 adjusted for inflation.

22 And I will just say that with the last
23 recession, though they have been substantial
24 increases in living, they have not been

1 substantial increases in wages. So, we
2 really in a period now where we faced with
3 not just wealth and inequality but income
4 and inequality. It's challenging the social
5 infrastructure which impacts adversely on
6 the quality of life with the age which is
7 probably one of the largest growing groups
8 now because people are living longer.

9 So to abbreviate the rest of this talk
10 because there is not enough said about it, I
11 want to thank you Councilwoman Parker for
12 leading the way to bring us back to some of
13 the things the NAACP is concerned with.
14 Because though some of the harsher realities
15 like police brutality, the mass murdering
16 going on in the cities and the carnage that
17 we see every morning, these more brutal
18 crimes, the softer crimes are not being
19 discussed enough.

20 The mortgage denials, the failure to get
21 promotions that have pay increases attached
22 to them, and many other things. And one of
23 the studies shows that just
24 African-Americans alone with suffer under

1 mortgage denials a loss of \$82 million in
2 wealth in the next decade. That is
3 predicted.

4 So, I am encouraged if stakeholders in
5 Philadelphia are coming together to figure
6 out what to do. But I think attached and
7 adjacent to whatever we do, there has to be
8 a fierce mass education campaign that goes
9 on to tell people about the importance of
10 this.

11 And then if you keep living, you are
12 going to get older. And you won't be
13 marketable like you were in your younger,
14 more productive years. And even though you
15 may still have some strength and energy, no
16 one maybe be willing to hire you. And you
17 will go into a fixed income situation. And
18 if you haven't taken a careful look at how
19 you are going to live beyond your productive
20 years, it would not only be challenging for
21 you, it could be absolutely devastating.

22 And I just want to say that to show the
23 trouble times that we are in now
24 economically, it's predicted that 40 percent

1 of the millenials Generation Y are going to
2 return home to live with their parents. And
3 these are younger people millenials with
4 education, with degrees. And if companies
5 are fleeing the American borders to work
6 abroad, than even the bond situation which
7 is just a claim on the company's earnings,
8 you're going to be challenged with the kinds
9 of bonds that you have as they work in
10 foreign soil with unpredictable situations.

11 So, I will leave it there. But I thank
12 you all for allowing me to say these few
13 words.

14 COUNCILWOMAN PARKER: Thank you,
15 Minister Muhammad. We thank you for being
16 here.

17 Is there anyone else here to testify on
18 this resolution?

19 There being no one else here to testify
20 on this resolution, this concludes the
21 business of the Committee on Labor and Civil
22 Service for today. This Public Hearing on
23 Resolution 160105 is recessed to the call of
24 the Chair. Want to thank you all very much

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1 for your participation.

2 Have a good day.

3 (Public Hearing recessed at 1:08 p.m.)

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C E R T I F I C A T I O N

I, hereby certify that the proceedings and evidence noted are contained fully and accurately in the stenographic notes taken by me in the foregoing matter, and that this is a correct transcript of the same.

ANGELA M. KING, RPR
Court Reporter - Notary Public

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