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

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

(No reply for remarks.)

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

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

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

COUNCILWOMAN PARKER: Thank you.

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

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

You know, public sector pensions are a part of the fabric of our country. You can trace it back to 1776, right, as they were offered by the Continental Congress as an incentive to discourage military desertion. And they sort of grow over time. American Express, the first private sector pension that was established any volunteer in the U.S. But Former President FDR's work as it relates to the 1935 Innovative Act of the creation of Social Security really became the foundation of the first leg and what we refer to as the three-legged retirement stool here in the U.S. And public and private sector pensions became a part of that. And then, obviously, the private savings.

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

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

And then we have some local and state stakeholders who are here today. I just want to note them for the record. They are Kurt Imhof from U.S. Senator Bob Casey's Office, Kyle Wherrity from Congressman Bob Brady's Office, Stacey Wright from Representative Steve Kinsey's Office, and Mark Collazzo from Representative John Taylor's Office. So as you can see, we have national stakeholders and state stakeholders here. And we have them in a bipartisan manner which is required if there is ever to be any action on this issue.

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

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

(Witnesses approach Table.)

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

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

MS. CAIN: Good morning. My name is

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

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

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

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

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

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

And also, I have to pay for some of my

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

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

Seniors need to check for all the

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

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

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

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

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

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

I also had to use a lot of money in my 401K to help my son. My son was very active in the community. He helped teenagers and young adults and ran a football team. The kids could only be on the team if they didn't smoke, drink or smoke marijuana. He kept a lot of them out of trouble. And he would help kids who slipped and went to jail.

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

My Social Security benefits are not enough to pay my mortgage, facilities, food, medical expenses and other bills. I was fortunate to get into a training program under Title V for the Older American's Act through the Mayor's Commission on Aging. They placed me here in City Hall where I review cases who come through the courts to make sure that the forms are filled out properly. Those program which provides part-time work for seniors at minimum wage, I worked 20 hours a week for sometimes less. But even with the additional income, I have really struggled financially.

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

A lawyer from the Community Legal Services is helping me with this. After making my mortgage payment, I have a difficult time affording utility bills. My gas was cut off last November. And I had to use electric space heaters. I borrowed money and was able to get it turned back on in January. PGW gave me a payment agreement of $168 a month. I told them I just couldn't afford that much, but they said that was all they could do.

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

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

If anything comes up in the house that needs to be fixed, I have to find the money to try to fix it. I was recently -- I was able recently to get some electrical work, a new heater, and grab bars from PHA -- from PHA Program, but I need a new roof. It's leaking in my bedroom. I don't have any money to get it fixed.

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

The extra income I earn from my Title V job has helped a lot, but if I'm sick or have to go to the doctor, I don't get paid. I have two herniated discs and sometimes I can't get out of bed so I don't go to work. You can only stay in the Title V Program for four years. And last -- my last month will be in October. When this job ends, I will still be over income limit for my many -- for many senior programs. And I don't have nearly enough income to pay my basic expenses. I really don't know what I'm going to do after that. I've applied for several positions. I've not found a job so far.

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

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

CLS assists clients when they face the threat of losing their homes, income, healthcare and even their families. CLS attorneys and other staff provide a full range of legal services from individual representation to administrative advocacy to class action litigation as well as community education and social work. CLS is a nationally recognized as a model legal services program.

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

Retirement is a problem for many seniors in Philadelphia. Ms. Ridenhour and Ms. Cane's experiences are tybicable -- typical of our clients who are older adults. Because poverty is so pervasive in Philadelphia, many people have been unable to save for retirement. For some people, the problem is a disability that kept them from working long enough to qualify them for Social Security. Some of them have long work histories but are not able to work all the way up to the traditional retirement age.

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

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

Our clients and those in the City who are like them are simply struggling to survive. Philadelphians older adults who are living on fixed incomes find that after paying for the most basic necessities, it's almost impossible for them to afford to pay for medical bills, home repairs and other expenses. Many are living on Social Security benefits between 100 and 150 percent of the federal poverty level. Most do not have pensions because the defined benefit pensions are becoming increasingly uncommon. When our clients do have pensions to supplement their Social Security, it's not unusual for the benefit to be as little as $100 per month or less.

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

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

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

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

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

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

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

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

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

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

I also want to note that on tomorrow as a result of your message, this City Council will be introducing a resolution formally and officially creating a task force to develop and create a concrete plan on how to address the issue of retirement security in the private sector only. Because our public sector workers, the Mayor has created a task force. We no that any adjustments there are done through the collective bargaining process. And so, we will focus on the issue of retirement security in the private sector for Philadelphia residents. And it's because of messages like yours. So, thank you so very much.

Colleagues, any questions or comments?

(No further comments.)

Thank you.

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

(Witness approaches Table.)

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

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

MR. WEBB: I have a PowerPoint. So,

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

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

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

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

The first factor is the decrease in the Social Security replacement age, which is resulted from the increase in the Social Security or retirement age. This is equivalent to a cut in benefits, also from increases in Medicare Part B and D premiums which get taken out of the check prior to it going in the manual. And increases in the percent retirees who are subject to income tax on their Social Security benefits.

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

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

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

As a result of the above factors, the bulk of retirees depend on Social Security for most of their income. In the past, Social Security was enough to lift almost all retirees above the federal poverty line, but was far from sufficient to enable them to maintain their standards of living. In the future, Social Security will leave increasing shares of retirees with incomes below the federal poverty line.

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

Now relative to retirees nationwide, we find the Philadelphia seniors are significantly in the substantially more likely to live in or near to poverty. In Philadelphia, 20 percent of retirees are poor relative to 9 percent nationwide. The 30 percent have incomes in between 100 and 200 percent of the federal poverty line relative to 23 percent nationwide. Workers in Philadelphia are less likely than workers nationwide who work for employer sponsors and retirement plan or participate in a plan. In Philadelphia, 48 percent of workers ages 25 to 64 work for an employer that sponsors a plan relative to 53 percent nationwide. And 37 percent actually working actually participate in a plan relative to the 45 percent nationwide.

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

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

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

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

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

To summarize, the nation faces a retirement saving crisis. The situation in Philadelphia is somewhat worse than nationwide. A higher proportion of seniors are in or close to poverty. And a higher proportion of workers lack retirement plan coverage or are at high risk of retiring in poverty. The solution is to expand the retirement plan coverage. Employers are not going to do this on their own. It calls for government initiatives.

And I thank you for your time.

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

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

Councilman Domb.

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

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

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

COUNCILMAN DOMB: Says at the top Table 5.

MR. WEBB: Is this the right one?

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

MR. WEBB: Yeah.

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

MR. WEBB: Yes.

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

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

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

COUNCILMAN DOMB: Okay.

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

COUNCILMAN DOMB: I understand.

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

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

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

MR. WEBB: Yes. Yes.

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

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

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

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

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

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

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

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

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

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

MR. WEBB: Yeah.

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

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

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

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

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

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

the last 20 years?

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

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

MR. WEBB: What?

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

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

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

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

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

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

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

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

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

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

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

Thank you, Madam Chairwoman.

COUNCILWOMAN PARKER: Thank you, Councilman Domb, for always paying attention to the numbers and the data. We appreciate it.

Councilwoman Helen Gym.

COUNCILWOMAN GYM: Thank you.

Mr. Webb, I had a couple questions. Thank you very much. I want to reiterate how much I appreciate your testimony.

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

MR. WEBB: Yeah.

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

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

COUNCILWOMAN GYM: Correct. So, either

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

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

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

MR. WEBB: Yes.

COUNCILWOMAN GYM: Less than 10 percent.

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

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

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

COUNCILWOMAN GYM: Okay.

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

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

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

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

COUNCILWOMAN GYM: Right.

MR. WEBB: Now, I think the question you are asking me is are the people who are working for employers who don't offer a plan very, very different from those -- from workers who work for employers who do offer a plan; and would they not participate even if one was offered? And I think the answer is that we have also enrollment, you probably get relatively high participation rates even from those people.

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

MR. WEBB: So, the best evidence is the evidence of the previous testimony where one of the speakers said she had drilled into her the importance of saving. And yet, she wasn't in a plan and didn't save even though she knew it was the right thing to do.

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

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

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

COUNCILWOMAN GYM: And when you see participation increase within the pension plan, obviously, Philadelphia like many other cities has -- is struggling with its fund balance within its pension plan, increase or sharp increase in participation rates, does that often help address fund balance issues over a period of time for -- for municipalities?

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

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

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

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

COUNCILWOMAN GYM: Thank you very much.

COUNCILWOMAN PARKER: Thank you.

We going to go back to Councilman Domb.

COUNCILMAN DOMB: Thank you, Madam Chairwoman.

Question because your testimony was so good, I want to ask you this question. Isn't the biggest issue really the concept and mindset that you must save before you spend? 90 percent of the Americans probably don't do, okay? I know there's been books written about that. But my colleagues and myself are very interested in teaching financial literacy in our school system.

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

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

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

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

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

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

So I mean, there is benefits that I'm not sure that's being taught to our young people today. I'm just not sure. I see what goes on out there. And I see how people spend money. And you have to always like live below your means. I'm not just talking about -- all ranges of salary. All ranges. And the more we can teach that, the better we can help people economically.

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

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

COUNCILWOMAN PARKER: Thank you, Councilman Domb.

Mr. Webb, let me just can ask you to sort of take a quick stroll back through history. I was two years old in 1974 when Congress sured up the second leg. And you know, via the Employee Retirement Income Security Act, ERISA, you know, which created the Pension Benefit Guarantee Corp which, in essence, was the safety net that those employees from Enron and Kemper and United, all of those who were, you know, almost lost it all after -- after working for years.

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

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

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

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

COUNCILWOMAN PARKER: Tell me about it.

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

In contrast in a 401K plan, all of the investment, all of the investment and longevity risk is in the hands of the individual -- the individual participant. The participant invests in a portfolio of mutual funds. If those -- if those funds do well, he builds up a larger amount of money of retirement. If the funds do -- if the funds do badly, he does poorly. So a DC plan represents a transfer from employer to -- a transfer of risk from employer to employee.

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

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

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

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

In contrast when an individual contemplates purchasing annuity, he doesn't think of the risk of living a long while as being a bad outcome. He says the risk is if I die young, the insurance company will have made a profit from me. He doesn't appreciate what he is really doing is buying insurance against the bad outcome of having a long and healthy life.

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

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

One could go further and introduce rate

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

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

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

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

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

COUNCILWOMAN QUINONES-SANCHEZ: Yeah. I

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

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

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

MR. WEBB: The sample size was
relatively small.

COUNCILWOMAN QUINONES-SANCHEZ: Okay.

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

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

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

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

COUNCILWOMAN QUINONES-SANCHEZ: It is of lesser importance?

MR. WEBB: Yeah.

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

MR. WEBB: Yeah.

COUNCILWOMAN QUINONES-SANCHEZ: Okay. Thank you.

COUNCILWOMAN PARKER: Thank you.

Are any other questions?

(No further questions.)

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

(Witnesses approach Table.)

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

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

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

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

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

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

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

Taking a step back, what does our retirement system look like? Currently, Social Security replaces a little less than half of what, you know, of what most experts think we need for retirement. The other half traditionally has been assumed to come from savings and pensions. The -- Tony alluded to some of this before. Employer-based retirement system is about -- looks like it's stable or a little bit declining in terms of coverage. But the quality of that coverage has shifted. We have gone from a system, so not only are we seeing not an increase in coverage, but we are seeing a slight decline in coverage. And in the private sector, for the most part, traditional defined benefit pensions have been replaced by defined contribution plans.

If you have only a defined contribution plan, you need to save something like ten times your income to have what experts think is enough to retire on. Now if that's seems shocking to you, it's shocking to most people. And virtually, nobody has that amount. I am just putting that out there. I will not have that amount. I don't know if anybody in this room will have that amount. But that is semi conservative estimate of what you should be saving if you are going to be drawing down at the rate of about 4 percent of what you save at the age 65.

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

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

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

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

One of the things -- I'm skipping ahead a little bit here. We are talking about the private retirement system. But I think the number one thing we need to do to fix our system right now is something that's not in the Council's power to change, but I just want to put a marker in there. We really need to be talking about expanding Social Security. And I know that Councilmember Domb mentioned this and how much it would cost. Not to get into the weeds there, but it's something we can afford. We would start by raising the capital on taxable earnings. But there are other things we can do to raise revenues.

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

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

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

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

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

(Refers to Powerpoint.)

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

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

The charts that I'm going to show you

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

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

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

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

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

And then even in the top, you know -- it all becomes, it's a question of the top half. And this, you can't do it off the top of your head. But in fact, the distribution is getting worse. The inequality has increased since the great recession and has generally been trending upward. So, we have a problem of not only highly unequal, but worsening inequality in retirement account savings. And again, these are savings that are subsidized by other taxpayers. So, it's not just a question of -- it's a problem because we are actually contributing to this.

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

Here you look at the difference between -- this is, again, we're going back to the share of households that have any savings at all. And we are looking at differences by education. Three quarters of college educated households have some savings versus 43 percent of households with high school degrees. And if you look at it, the everybody -- in this case, everybody has seen a declining -- you know, a declining share in the new millenium. But the declines have been particularly steeper for less educated households. Again, there is no good explanation for this. And it certainly goes counter to what we would want to be seeing given there is declined benefit pensions.

The next house -- slide is also even more depressing. It shows that there is -- this is a difference between White, non-Hispanic household is the blue line. And Hispanic and Black households, Hispanics are the green line and the Black households are the red line. And again, we are seeing a very sharp decline in the new millenium especially for Hispanic households in retirement account savings. And whereas, the White households have remained more or less stable. And I would like to remind people that this was not the case back in the days of defined benefit pension. Not to be a nostalgist. I don't think we can go back to the days when private sector workers have these pensions. But I don't want people to think, well, this has always been the case because it has not always been the case. This is a system that's getting worse.

And I would -- the data that I was looking at looks at households. It's not impossible to differentiate, you know, women and men strictly speaking except if they are single. But what we see is that single people generally have -- are much less likely to have any savings at all. And the -- its used to be that single women, in particularly, were doing bad. Here we see that single women and single men are doing about the same, but it's all because of a decline in single men. Okay. So this is, again, not a trend we want to be seeing. Women, in general, are at much greater risk at retirement because they live longer an because their earning were lower to begin with. So, the fact that they have not caught up with men but are now on par with men is not necessarily good news.

Anyhow, what needs to be done?

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

I think it's very important that the public sector gets involved in this. That government gets involved in this to make sure that fees are low and that risk is managed. Because we find that even people who do have access to plans at work and even if they participate, they don't do very well for a variety of reasons in many cases. One of the main reasons is that the private sector is sort of siphoning off a lot of this in terms of high fees. The other thing is that these plans can quite risky.

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

But what we know about IRAs is that people, A, don't participate for the most part. Most money that's in IRA plans is rolled over from 401K plans, not something that people save by themselves. And B, people are -- it's kind of the Wild West, I call it. People are subject to even higher fees on average and lower returns on average with IRAs. So if you do something that's modeled on an IRA, you can do it. But do it in a way that makes sure that plan providers and the investment options are appropriate for small savers to make sure that if they do put money away, that it won't end up costing them.

Thank you very much.

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

COUNCILWOMAN PARKER: Please identify yourself for the record.

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

My written statement is fairly long, but

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

(Begins using slides.)

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

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

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

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

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

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

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

If you look at all working households, then you get a very different picture. And the median account balance is 20 times less than that $50,000. It's $2,500. If you look at the income, the amount saved in retirement accounts by individuals between ages 55 and 64, it's $14,000. That's roughly one year's Social Security payment to the typical retiree.

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

And so when they looked at the financial assets of the baby boomers, this would include retirement accounts and other cash type of accounts, savings accounts, money and brokerage accounts. What it found was that the top 5 percent of the baby boomers owned 50 percent of the baby boomers' assets. And that the bottom half of the baby boomers owned 3 percent of the baby boomers' assets. We updated that and found that the general trend stood true in about 2010.

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

In addition to that, we say, okay, these are just regular numbers. What does retirement savings look like? Monique talked about the need to get to that. She's talked about ten. Fidelity actually puts a paper out, and they talked about by the time you are 67, they feel their participants ought to have eight times their salaries saved.

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

But even when we look at -- and I circled in my chart, the people between ages 55 and 64, 30 percent of them have nothing saved. Another 33 percent have less than one times their salary. Only 9.9 percent have four times their salary put away for retirement. And four times your salary at that age is still putting you behind where you should be. Fidelity says by 55, you ought to have five times your salary saved.

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

So, we do have a crisis. A lot of that does come from the access. Monique talked about people of color. I want to just reinforce some of that, as well. We have looked at this data. And here what we do is we give you access in the green lines and actual participation rates in the yellow lines. And we looked at the whole work force, and then we broke it out by White, Hispanic, Black and Latino. And in particular, the Latinos have a much lower access than Whites. In terms of access, White American households have -- or employees have about a 62 percent access rate. They have an employer that offers a plan. They can choose to participate in it. When it comes to participation, about 53.

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

What's hard for people to also

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

One thing I would like to talk a little bit about is retirees. NIRS has done some research on how having a pension, a defined benefit plan, impacts poverty rates among older households. And one of the things that we -- that this chart does is it looks at the rate of poverty and it breaks it down by male and female the right hand -- on the left-hand side. On the right-hand side it's broken down by race. The green lines are for those individual -- those households that do not have a DB plan as a source of retirement income. And what we see again is the poverty rates for Whites, about half of the poverty rates for people of color. And similar disparity for males and females.

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

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

What I'd would like to talk one more point again is when individuals know that they have a secure source of retirement income. Tony talked about how important that is for the individual. It's also important for us in the greater economy. Because those individuals can spend that money. And we have done some -- research has been done about Social Security. Social Security is a great economic stabilizer in the economy. And the same thing happens with defined benefit plans. What we found is basically almost a trillion dollars in economic activity is supported by benefits we paid in 2012 to retirees in the public and private sector. And it's those payments then also supported about 6 million jobs in the economy. In the State of Pennsylvania specifically, it generated about $17 billion in economic activity. And those types of payments supported 122,000 jobs in the State of Pennsylvania.

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

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

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

So, I do think we have to find ways to expand coverage. Having some type of plan, be provided through the employer is the most important way. I mean, everybody in the financial services community will tell you, and I got here just after ERISA passed. I started working at a financial firm in 1975, so I dealt with ERISA from its beginning til now. You know, if people have a retirement plan, what it enables them to do is pay themselves first. So, that money goes into an account for them. And if they don't have that and they wait until the end of the month, we know too often the money isn't there. And that is why there is that big difference between people who have a plan through an employer and people who don't.

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

Thank you.

COUNCILWOMAN PARKER: Thank you.

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

Let me just say very briefly, for many

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

(Begins using slides.)

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

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

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

Here we go. Access and participation vary based on employer size. For example, people working for small employers have lower rates of access. In Philadelphia, Pew finds only 25 percent of workers at firms with fewer than 10 employees report having access to workplace retirement plan compared to 65 percent at firms with 500 or more employees. In addition, as has been noted, certain industries have different levels of access; leisure and hospitality, construction have much lower levels of access and participation than other industries like financial services.

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

Plan access and participation also differ substantially by income as has been noted. In Philadelphia, only 33 percent of workers with wage and salary income of less than 25,000 have access to a retirement plan. That rate rises to 73 percent of workers with incomes above $100,000. And of course, access or some of the largest differences are by race an ethnicity. Many areas of the country have higher percentages of Hispanics. They tend to have lower access rates among Hispanic workers in Philadelphia.

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

There are several implications for policy which we can discuss during the Q&A. Previous work suggest the importance of improving access to a workplace plan as a way to increase retirement savings. For example, even among workers with incomes below $25,000, many do participate when given the opportunity to do so. Increasing access to retirement plans would likely improve retirement savings and the future economic well being for many workers as well as for state and local budgets. Our most recent report discusses the broad rate of policy proposals that have been introduced at the state levels -- state level in recent years and the policy tradeoffs among those different initiatives.

We can discuss those further. Metropolitan areas can post challenges for implementing policy initiatives for retirement savings, but at the same time metropolitan areas also present opportunities for policymakers like yourselves, target policy interventions and outreach, for example, that use community groups and neighborhood associations could have dramatic and positive effects for many new policies.

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

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

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

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

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

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

But I want all of those in attendance to know that Councilman Brian O'Neill, aside from being a Vice Chair of this Committee and a long term Member of this Body, is the sort of ranking and veteran member and active participant of the National League of Cities. So obviously, all of the information and the table that he has access to voice his concerns regarding this issue is extremely important.

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

MR. SCOTT: I'll go first.

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

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

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

In terms of municipalities, and I certainly welcome comments on this to augment my knowledge, obviously, New York City is one of the cities that are looking at this issue. We have heard reports of the City of Seattle are interested in this, as well.

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

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

You know, Social Security is an important program. I agree with Monique. We need to fix Social Security. And we can do that. We just -- we also need to have the political will. Just yesterday I was at a meeting, a group, a bipartisan group talked about some reforms of Social Security that they've been able to come up. They may not please everyone. And ultimately, that's part of politics is coming to that compromise. I know that having worked in the U.S. Congress as a staff person. Finding those compromises are important. And sometimes it takes a while to get there.

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

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

And that's why I think it's important to look at the poverty rates of people without any retirement savings. They are huge in our communities. And we see that especially in the urban centers. I agree with John. I know people in New York who are working on this. I understand Seattle and a few others. But I also in January had an opportunity to meet with a lot of urban leaders who are concerned about this issue and gave them a presentation very similar to what I shared with you today.

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

So you're sort of the epicenter of that. I do think it's important to look to try to find solutions. I know getting there will be a challenge with all the legal regulations. But it's this type of dialogue that we really need to have across the country. Monique mentioned when it comes to Social Security, we have a phenomenal amount of support. 75 percent of Americans say we need to fix Social Security. We are willing to pay more for it. This is an important core program. And yet, we can't quite get that done in Washington, so where do we start?

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

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

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

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

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

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

MS. MORRISEY: No. We were all waiting

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

I just wanted to also say that I really hope that the Philadelphia City Council does not wait for national or state action. Both, you know, bodies are polarized right now and not moving anywhere. And one point I wanted to make earlier is that the statistics we've been looking at, some of them look at the Philadelphia MSA, the metro area. But Philadelphia itself has a different demographic than some of the statistics we are looking at. And so, the minority issues that I raised earlier loom larger even in the city than they do in the general area.

And I think one of the things that I always raise these issues of demographics disparity. And I always worry a little bit that people will think that that is somehow reflects a problem in the community of not saving enough. And I just want to like preemptively say that that's not the case.

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

So people -- there is a very, very strong desire to have retirement savings, retirement security. It's not within our means to provide pensions to private sector workers because it's just -- that would -- that's much more complicated thing to do. But please, do not think that the problem of lack of savings in less educated or minority or less paid communities reflects not a desire to save. It's a lack of access to appropriate low costs, low risk savings accounts.

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

And I am actually presently surprised that the states like California that have pushed forward on this, have managed to keep these forces at bay a little bit. It's not just important to provide access. But we want to make sure that people -- we are not steering people to save in accounts that are inappropriately risky or high fee. And I think that, you know, that this is something that actually is easier was -- there was a big push back from industry, but it's not quite as bad as it was in the early days. And that provides a real opportunity for Philadelphia to offer something that is really -- would be a very good, not simply convenient but actually appropriate and high quality savings vehicle for workers.

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

(Witness approaches Table.)

And Lieutenant Governor, we are going to start with you first. Okay. And we do have some additional questions because you all didn't talk to us about the power of annuitization. You didn't mention anything about that. We also wanted you from a research perspective to talk about the pooling or risks. And what we will do is provide you with a list of questions. And if you could reply to us, we can get them to the stenographer. Because it's important to make every -- every answer that you can in response to our questions a part of the public record because this is going to become the foundation for that commission that we talked about establishing formally in the City of Philadelphia.

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

(Witnesses continue to approach Table.)

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

MS. TOWNSEND: Thank you so much. You've been very patient to listen to all of these panels. And I have some slides. And I will try to go through this fairly quickly because I know you've been sitting here for quite a while this morning.

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

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

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

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

So here we have the scary idea that 77 percent of Maryland -- of Americans are more worried about retirement than they are about death. An 82 percent of Americans with children are more scared about retirement than they are about death. And that comes from Diane Oakley's research. Thank you, Diane, who you heard about earlier.

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

To get right to the point, we were very fortunate that Tom Perez who is now the Secretary of Labor, was the Secretary of Labor in the State of Maryland. And really made an effort to make sure that the states would be able to have a Safe Harbor if they wanted to pass legislation that would not be ERISA -- under ERISA. I personally like ERISA, so I thought that was unfortunate that so many states don't want to be under ERISA. But that is a personal view on my part. And I can get into why I think ERISA is fabulous, but many states don't like it. They are ignorant if you ask me.

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

The Individual Retirement Account is what we have done in the State of Maryland. And just to describe it briefly, we have a nine person board. We have a range of options that the board will develop. And we'll have a default option. That is basically also -- that is what we are doing in the State of Maryland. And that's very similar to what Connecticut is doing. And we will make sure that we will not come under ERISA.

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

And that should cover, at least we think that covers, about 90 percent of employees. Most -- the very small businesses don't do it, but it should cover about 90 percent of employees. And we also in the State of Maryland said that employees of non-participating employers may elect to participate. If you are in one of those two employees or you -- an employer/employee of one of those teensy tiny businesses, you can say, hey, I want to participate in the program. You can do it, okay? And I think that's interesting and important.

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

But what you can see from that slide, it's really depressing to tell you the truth. And this is why everybody who said that we should increase the amount of Social Security is completely correct. You can see that the Social Security paycheck is 30 percent of final salary. So if you just have to rely on Social Security, you're 30 percent of salary. That's it. If you contribute 3 percent of your salary in this IRA that makes -- I can go through the market assumptions if you went, you can get another 12 percent of salary which brings you up to 42 percent of final salary. And if you contribute 6 percent which -- with an automatic enrollment, you can do that. You can go up to 54 percent of final salary.

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

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

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

There are some states that didn't put any money in their budget. Maryland is putting money in the budget because we decided we wouldn't raise money in the private sector. California decided to raise money in the private sector. Connecticut and Maryland decided to put money in the budget to pay for this. We are not -- the way it works in Maryland is we put the money in the budget. And then once we make money off f our great investment returns, we will pay it back.

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

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

If you don't do that, you can -- the City of Philadelphia can do this. And this is what Connecticut has done is said we would like to all -- we would like similar protections that ERISA offers. But then you have to develop your own governance and your own enforcement rules rather than have the Department of Labor do it. And that's a cost for the City of Philadelphia to do that enforcement. The only problem is you cannot require employer/employees to do ERISA rules. You can just make it very attractive whereas you can require the IRA rules. And that's a big difference.

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

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

Thank you very much.

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

As you've heard from more than one

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

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

The program as presently envisioned would have the following components. In overview, the program would be managed by a board that is required -- who would require mandatory participation with an automatic payroll deduction from employee paychecks with an employee opt out. Employee funds would be deposited into a default Roth IRA with the option to convert to a traditional one.

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

As proposed, all employers located in the City of New York with ten or more employees who have had ten or more employees without interruption for two years and who have not offered a retirement plan in the last two years to its employees would be mandated to participate in the program. All monies collected by employers must be forwarded to the program administrator by the employer in a timely manner. And the plan contains penalties for failure to admit in a timely manner and for failure to enroll employees.

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

To protect enrollees, initial deposits are placed in an escrow fund for 90 days giving the employee the option within that time frame to opt of the program without penalty. Once past the 90 days, the funds are deposited into target date investment with an opt out to other investment options to be approved by the board. Separate records would be kept and available for each employee account.

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

The role of the board would be to establish the parameters of the program, preparing an RFP and hiring a third party administrator, hiring employees, rule making, reviewing and improving the investment options designed by the third party administrator and overseeing an annual audit of the program. The board would also be charged with adopting rules for phasing the program across all employer classes, establishing a process for individual employers not mandated to participate in the program for volunteer -- voluntarily participate and to develop exemptions if needed.

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

That's kind of the rough outline of the program. There are a number of issues that were touched upon relating to the U.S. Department of Labor. And really before any of our plans can come to fruition, there are a few more obstacles in ur path. As has been previously discussed, the DOL issued proposed rules creating a Safe Harbor for states. And New York City's program in order to become active and functional is going to require a number changes in the proposed rule making. The first of which is that the rule needs to be amended to allow cities and municipalities to create such programs.

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

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

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

COUNCILWOMAN PARKER: Thank you.

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

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

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

And what it shows, Pennsylvania is

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

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

And what this shows, again, this starts

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

Okay. Folks have talked about, so I don't need to, the inadequacy of defined contribution plans at least in practice as they are now with not enough money in most accounts. With less participation and radically less money in the accounts held by minorities. And those trends in turn mean more of the elderly and more of the minority elderly are economically vulnerable in retirement. And again, there's the source of -- in my written testimony on that.

So turning Philadelphia. I know defined benefit plans are not the focus of this hearing, but we do think it's important to note that it's very important that Philadelphia maintain it's defined benefit pensions in the public sector where they exist. That is particularly important partly to minorities in Philadelphia because this is metro area data, again, for sample size reasons. But more than one in six employed African-Americans work for the government versus only one in ten of non-African-American workers. So, those defined benefit plans are a critical source of economic stability for African-American families and neighborhoods. And despite the attacks on them, I think we think you have to hold onto them. We think it's a whole host of other reasons to hold onto them in the public sector where the stability of employment and the longevity of the employer, one hopes forever, make DB plans still perfectly suitable designs.

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

But second, when you understand the efficiency arguments, the standard arguments about avoiding future unfunded liabilities, future financial market risk to the taxpayer really amount to I want to avoid the risk of higher costs in the future by guaranteeing higher costs in the future. Which doesn't really make a lot of sense as public policy. Okay.

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

So what this chart shows is the actually unfunded liabilities, the 5.3 billion I think in Philadelphia are actually pretty small compared to the transfer to the 1 percent in Philadelphia and in the metro area from -- because of the increase in inequality since the 1970s. So, the bar on the left is the annualized cost of paying down that 5.3 billion assuming you pay a thirtieth of it each year. And then the next two bars are the transfer, billions and billions of dollars, between three and four in Philadelphia alone on the order of 13 billion in the five county area on an annual basis 2 or 1 percent because of the increase in inequality.

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

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

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

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

We have -- in the current pension context, we have shopped this idea with both parties. And we are pleased to report that both Senator Pat Browne who is the Majority Chair of the Senate Appropriations Committee and Senator John Blake who is regarded as the most influential Democratic Senator of these kinds of issues. Both are actually very supportive of this general approach. Senator Browne promised me that it would be in the next pension bill, I think that means the pension bill after they deal with the public sector pension issues.

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

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

Thank you.

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

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

The Mayor's Commission on Aging serves Philadelphia residents over 55. And we see firsthand the need for better paths to security. On a daily basis, our job development areas sees residents who seek to connect to the workforce and whose skills and experience has left them unsure about how they will face the challenges that come with not having the resources necessary to continue to thrive in our City.

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

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

In light of the need and the Admin -- the Administration would welcome the opportunity to work with Chairwoman Parker and the City Council on identifying and analyzing options for helping Philadelphians achieve security in retirement. In that regard, one option that has been raised would be expanding the City's deferred compensation for 57 B plan. This is an optional benefit available to City employees and can supplement other retirement offerings such as pension benefits and security.

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

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

COUNCILWOMAN PARKER: Thank you all so very much for your patience. We know some of us our racing to catch trains and things of that nature.

Let me start with Councilman Taubenberger who has a question.

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

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

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

MR. DUKES: Yes.

COUNCILMAN TAUBENBERGER: Also cited, if I get this correct, and I appreciate the detail. But you then also have some areas of enabling legislation or policy changes for this even to work; is that correct?

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

COUNCILMAN TAUBENBERGER: Okay.

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

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

COUNCILMAN TAUBENBERGER: Would that

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

MR. DUKES: We have --

COUNCILMAN TAUBENBERGER: Or both?

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

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

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

MR. DUKES: The bill is going to be introduced whenever the City Council decides it's going to do it. And it is not reliant on signing off on essentially the kill switch. I hate using that word, but that's what it is. We are going to move forward in the hopes that the DOL issues rules that satisfy everyone and the program can move forward.

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

Thank you, Chair.

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

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

Second paragraph of your testimony you describe what is often difficult for cities across the nation to do. Mayor de Blasio, working with Council and your public advocate, who is a dynamo, and the Comptroller who has more skin in the game and has conducted research on this issue for a very long, long time and others that you've been sort of working, using a collaborative approach to come up with what the potential solution will be. And that is often very difficult. And the most challenging part of governance is allowing all of these different entities to sort of come together and work together.

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

So thank you New York City for your leadership.

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

COUNCILMAN TAUBENBERGER: And I second

that motion of praise.

COUNCILWOMAN PARKER: Thank you.

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

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

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

Through the testimony, they realized

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

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

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

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

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

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

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

In addition to that, I want to just note that the purpose of this hearing was not and is not to be prescriptive as to a single specific solution. For us, this was investigatory. So, our intent was to gather as many facts from those of you who know this sector as possible. But the one thing your testimony has firmed up for us, is that we can no longer ignore this issue on this side and that the time has come for us to sort of put our brain power together and figure out a solution.

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

MS. TOWNSEND: Yes. That was very impressive.

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

So is there anyone else here to testify? Okay. We want to --

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

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

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

(Witnesses approach Table.)

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

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

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

much, much less than that amount.

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

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

I took the position with the City because of employment security, health benefits and the dedicated pension. Being an active member of the District Council 47 for over 35 years as a steward, delegate trustee, contract negotiating team member, strike captain and executive board member, I was happy that our union was able to through negotiation keep these benefits intact. Until now, we are hearing horror stories of which you heard earlier. About how after working towards a comfortable and stable retirement our pension plans is severely underfunded.

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

For the most part, our employees and retirees have been hard working, dedicated individuals. We as retirees have done our part serving the citizens of Philadelphia. We are demanding that the dire situation which we heard today we are working on with our pension plan begin to be straightened out as soon as possible. It was once said that the moral test of government is how the government treats the young and the elderly. Our young and elderly need attention now.

Thank you for allowing me to give this testimony.

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

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

At one time, I was the last school attendant at Depaul University. I was accounting major and finance by education and training. I also carried a Series 6 license, which licensed me to deal with financial instruments like mutual funds and other stock and bond products. I also carried a Series 22 license which licensed me to deal with equipment leasing and real estate partnerships for building of skyscrapers and cities and selling of shares. And many of these buildings also had a license to deal with variable contracts, another name that the -- I think the Lieutenant Governor from New York could use for annuities.

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

The first period is the learning period. And during that time when people are growing up and being educated, one of the things that happens is in America, is that people are educated but they are never -- they are educated in a way that can go a command a greater dollar for what they know, but they are never taught. Despite what you take in college, they are never taught how to handle that money once they make it. And so, the learning period is crucial because it takes you to the next most crucial period which is the earning period.

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

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

And I will just say that with the last recession, though they have been substantial increases in living, they have not been substantial increases in wages. So, we really in a period now where we faced with not just wealth and inequality but income and inequality. It's challenging the social infrastructure which impacts adversely on the quality of life with the age which is probably one of the largest growing groups now because people are living longer.

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

The mortgage denials, the failure to get promotions that have pay increases attached to them, and many other things. And one of the studies shows that just African-Americans alone with suffer under mortgage denials a loss of $82 million in wealth in the next decade. That is predicted.

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

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

And I just want to say that to show the trouble times that we are in now economically, it's predicted that 40 percent of the millenials Generation Y are going to return home to live with their parents. And these are younger people millenials with education, with degrees. And if companies are fleeing the American borders to work abroad, than even the bond situation which is just a claim on the company's earnings, you're going to be challenged with the kinds of bonds that you have as they work in foreign soil with unpredictable situations.

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

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

Is there anyone else here to testify on this resolution?

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

Have a good day.

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

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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