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March 12, 2014

Testimony For: The U.S. Senate Committee on Banking, Housing, and Urban Affairs
Subcommittee on Economic Policy

From: Oregon State Treasurer Ted Wheeler

Re: The State of U.S. Retirement Security:
Can the Middle Class Afford to Retire?

- My name is Ted Wheeler and I am the State Treasurer in Oregon. In that capacity, I manage the state's investment program, protect our strong credit rating, and oversee the protection of public deposits for more than 1,000 local governments.
- Before I entered elected office, I worked in the financial services industry including at a Portland investment firm called Copper Mountain Trust, which specialized in private sector retirement planning.
- I am also a fiduciary for the financial interests of Oregonians, and my concerns about the future of Oregon families are what bring me here today.
- Thank you for your attention to the critically important matter of retirement security for the middle class. More needs to be done, and quickly, to reduce the profound economic impact of what I believe is a generational crisis, which threatens to plunge seniors into poverty, disrupt entire families and impact the overall economy.
- In Oregon and across the nation, a lack of sufficient retirement savings threatens family security and quality of life, and could place an increasingly heavy burden on social safety net programs
- Time is not our ally.
- In Oregon, with bipartisan support, we decided to take a hard look at retirement security. Oregon's senior population is projected to double in the next 20 years. At the same time, roughly half of workers have no retirement savings option at work, and a study released last year by AARP Oregon found that one in six Oregonians aged 45--64 has less than \$5,000 in a retirement savings account.

- That puts off some pretty big alarm bells. This is a demographic wave and we are about to get swamped. It is quickly moving from the realm of being a personal issue to becoming a social issue.
- We know it's hard to save, especially for the middle class. It's harder to make ends meet with stagnant wages, skyrocketing post-secondary education costs, and uncertainty about the future of health care. As I travel the State, the stories I hear simply confirm the data: Oregonians prioritize today's pressing economic needs over the retirement savings needs of tomorrow and too many will be woefully underprepared.
- Many may not be able to stop working. For too many, the golden years could be fool's gold.
- A huge number of Oregonians are primarily dependent on Social Security for retirement. The typical benefit for the roughly half a million Oregon retired workers in 2012 was \$15,287 a year.
- How significant is it: Without Social Security, the elderly poverty rate in Oregon would have increased from 1 in 14 (7 percent) to 2 in 5 (40 percent).
- In December, I helped to convene a roundtable of State Treasurers and we agreed that this subject deserves America's attention.
- Next week, as laid out in our bipartisan legislation, I will convene the first meeting of a new task force to consider how Oregon can help incent more retirement savings, and to potentially expand the availability of pooled and professionally managed funds for workers.
- Among our questions will be the following:
 - 1.) What options can we create, expand upon, or new models can we create to bolster the savings of private sector employees who currently do not have access to a plan through their employer? 2.) What role, if any, can the successful investment program run by the State Treasury play in this effort?
- I think it is appropriate that these conversations occur at the state level. Different states will have different solutions based in large part of their differing expectations of government.
- Those innovations and conversations can help to guide your conversations about federal policy, much like states' efforts helped to shape the 529 laws that provide beneficial tools to save for higher education and vocational training.
- Again, thank you for your audience and your awareness that retirement security is getting further away -- if not unreachable -- for too many Americans.
- It's a bipartisan concern and time is not our ally.
- Thank you for this opportunity.