



Office of State Representative Stephanie Howse
House District II

Sponsor Testimony for House Bill 416
Insurance Committee
October 27, 2021

Chairman Brinkman, Vice Chair Lampton, Ranking Member Miranda and members of the House Insurance Committee, thank you for hearing sponsor testimony on House Bill 416 (HB 416), to establish the Ohio Retirement Savings Fund, an auto-enrollment retirement savings plan for private sector workers. It is hard to calculate the impacts of the coronavirus pandemic. Many Ohioans including our older Ohioans lost their jobs and had to dip into their savings to make ends meet. Our legislation is a step forward to improving the long-term outcomes and providing a more secure future for our Ohio citizens during their golden years.

By 2030, more than 1 in 5 Ohioans will be 65 or older. With a large and growing older adult population and dismally low average household savings, the state faces a looming retirement security crisis if we as a state do not create more opportunities for Ohioans to prepare for retirement. Workers are in a position to assume more and more financial risk, and as a result, many will not have enough to live with dignity when old age arrives. In reviewing the Bureau of Labor Statistics Ohio Occupational and Employment Wages table, you will see that food service workers and healthcare support workers are the Ohioans who will require public assistance when they retire. These are the women and men our society classified as essential workers throughout the COVID-19 pandemic and have disproportionately experienced the physical and mental turmoil associated with the pandemic. How many of our essential workers will be able to successfully retire in the years to come?

AARP's Public Policy Institute researched *Retirement Savings Options for Ohio Workers*¹ and outlined the following facts:

- About half of Ohio households risk being unable to cover their basic needs in retirement. Nationally, the average working-age household has saved only \$2,500 for retirement. For near-retirement households (ages 55 to 64), that figure is just \$14,500.¹
- Estimates that the average annual Social Security benefit for a 65-plus family in Ohio totals \$19,000. Food, utilities and health care alone cost an average of \$23,000.¹
- About 45 percent of Ohioans lack access to a retirement savings program such as a 401(k) or pension through their work.¹

Research by The Pew Charitable Trust, found that workers without access to a savings plan are often lower-paid and more likely to be people of color².

Committees:

Finance Subcommittee on Higher Education, Ranking Member
Finance
Families, Aging, and Human Services
Government Oversight

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When tens of millions of Americans and Ohioans all have the same problem of setting aside too little money for retirement, it is not a failure of individual initiative. It is a sign of a structural problem—one that cannot be solved by telling people to save more money.

Some states already have auto-IRA plans up and running: Oregon, California, and Illinois. With a couple of states planning to launch pilot auto retirement programs this year: Connecticut, Maryland and Colorado. Auto-retirement programs have proven to improve the saving habits of individuals. If adopted by the State of Ohio, the Ohio Retirement Savings Fund can help provide Ohioans with the supplemental assistance they will need to cover their basic needs during retirement. Taking legislative action today will ensure we are fulfilling the Ohio Promise, letting our constituents know that they can live, work and retire with safety and security right here at home.

This legislation will do the following:

- Creates the Ohio Retirement Savings Program (ORSP) and requires participating employees to be enrolled in a defined benefit retirement plan developed by members of the Public Employees Retirement Board
- Requires a private sector employer that does not maintain a tax-exempt employer-sponsored retirement program to deduct a percentage of an employee's paycheck established by the Board and remit it to the ORSP, unless the employee opts out
- Prohibits an employer from failing to participate and allows the Board to fine a noncomplying employer
- Requires deductions from employee paychecks and fines against noncomplying employers to be deposited into the Ohio Retirement Savings Fund created by the bill
- Specifies that an employer is not responsible for the administration, investment, or investment performance of the ORSP and that the state is not liable for retirement savings benefits earned by participants

Thank you for providing Rep. Brent and I the opportunity to provide sponsor testimony on HB 416 and look forward to answering any questions you may have.

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1 <https://states.aarp.org/ohio/looking-at-retirement-savings-options-for-ohio-workers>

2 <https://www.pewtrusts.org/en/research-and-analysis/articles/2021/06/17/availability-of-state-auto-iras-appears-to-complement-private-market-for-retirement-plans>

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