



**March 23, 2017**

Vermont Businesses  
for Social Responsibility

**Testimony by Daniel Barlow, VBSR Public  
Policy Manager**

*Re: H. 387 - An act relating to the Public  
Retirement Study Committee*

Vermont Businesses for Social Responsibility was founded 27 years ago with the mission of advancing a triple-bottom line approach to business – placing people and planet alongside profit as the goals of our business community. Today, our more than 750 members continue to live that ethic.

A strong retirement system is an essential element to a sustainable and thriving economy. More than 100,000 Vermonters, nearly half of today’s working population, lack access to an employer-sponsored retirement plan<sup>1</sup>. This leaves a significant portion of Vermont’s working families without suitable retirement plans and without access to the tools to create one.

VBSR participated in the Public Retirement Study Committee’s work in 2016 and one of our members, Russ Bennett, the founder and owner of NorthLand Design & Construction in Waitsfield, served on the study committee.

**The Coming Retirement Crisis**

“Too frail to work, too poor to retire” is the new normal for elderly Americans as a number of

issues collide, creating a perfect storm for a nationwide retirement crisis:

- Traditional private employer-funded pensions are increasingly rare.
- Americans are living longer and require additional financial resources.
- Threats to the sustainability of Social Security, causing many to wonder if that safety net will be available when they retire.
- Job and wage losses during the most recession put many working families economically behind.
- Wage stagnation and near-historic levels of income inequality.
- The related housing crash devalued homes and property – often a retirement nest egg for Americans.
- College tuition debt is crushing the younger generation’s ability to save for retirement.

**A strong retirement system equals a strong economy.**

Retirement savings and investments don’t just provide older Vermonters with reliable sources of income - they also support local economies.

<sup>1</sup> AARP, Factsheet: Vermont, August 2015.

Saving for retirement consistently tops surveys of the economic worries in the United States. Retirees who have stable incomes also spend money in local economies and contribute to the state's tax coffers.

- Economic Development Potential: \$206 million in pension benefits paid out to nearly 14,000 Vermonters results in nearly \$300 million in economic activity, supporting nearly 2,500 jobs and supporting \$61 million in tax revenue (2009 Vermont data).<sup>2</sup>
- Small increases in retirement income can result in big government savings: A 10% increase in the net worth of the bottom one-third of retirees over their working career results in \$194 million reduction in government spending over the next 15 years (Utah study).<sup>3</sup>

#### **Why aren't businesses doing this now?**

Nearly three-quarters of employers in the United States not offering employee retirement options say they have no plans to ever do so.<sup>4</sup> Why?

- Business "not big enough" to sponsor a retirement plan.
- Don't believe that employees are interested in retirement options.
- Too complex to administer.
- Associated fees too high.
- Businesses have prioritized health insurance as top employee benefit as those costs have risen.

VBSR supports the work of the Vermont Legislature and State Treasurer Beth Pearce to

increase the retirement security of more Vermonters. The creation of a voluntary open multiple employer plan as suggested in the Treasurer's 2017 report. We further recommend that:

- The Committee's guiding principles – simplicity, affordability, portability – should inform the creation of this system.
- The plan should be voluntary and auto-enrollment at participating employers used to increase participation.
- The creation of this system should be accompanied by a financial literacy education campaign that encourages a culture of saving in Vermont.
- Employers with fewer than 50 employees can participate.
- The option of a mandatory system only is considered after the program has been operating for several years.

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<sup>2</sup> <http://www.vermonttreasurer.gov/sites/treasurer/files/pdf/retireState/newsletters/Web%20VRSERS%20July%202012.pdf>

<sup>3</sup> <http://states.aarp.org/aarp-utah-commissions-study-on-cost-of-retiring-poor-in-the-state/>

<sup>4</sup> <http://www.benefitspro.com/2016/06/09/lots-of-variation-in-dc-plan-matching-contribution?slreturn=1490218819>