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HOUSE OF REPRESENTATIVES
COMMONWEALTH *of* PENNSYLVANIA

House Democratic Policy Committee Hearing

Keystone Saves Retirement Accounts

Wednesday, May 8, 2024 | 9:00 a.m.

Representative Kyle Mullins

OPENING REMARKS

9:00 a.m.	Rep. Kyle Mullins, D-Lackawanna

PANEL ONE

9:05 a.m.	John Scott, Project Director of Retirement Savings *Pew Charitable Trusts* *Q & A with Legislators*

PANEL TWO

9:35 a.m.	Nora Dowd Eisenhower, Volunteer State President *AARP Pennsylvania* *Q & A with Legislators*

PANEL THREE

10:00 a.m.	David Gonzalez, Director of Economic Initiatives *York County Economic Alliance* *Q & A with Legislators*

Testimony of The Pew Charitable Trusts

John Scott, Project Director, Retirement Savings

Before the House Democratic Policy Committee

May 8, 2024

Good morning. Thank you, Chair Bizzarro and members of the Committee for the opportunity to testify on retirement security issues and policy options. My name is John Scott, and I direct the retirement savings project at The Pew Charitable Trusts (Pew). Pew is a nonpartisan, non-profit organization that applies a rigorous analytical approach to solving public policy problems.

Retirement savings levels are low. According to data from government surveys and financial service providers, many Americans are struggling to save for retirement. For example, the investment manager Vanguard reports that the average amount saved for retirement among its 30 million clients is $112,572. The average is skewed, however, by high income savers. The median amount saved for retirement is $27,376, which means that half of all retirement accounts at Vanguard have less than that amount. The same median for those between the ages of 55-64, who are on the cusp of retirement, is just $71,168.[1] In other words, half of near-retiree account owners have less than $71,168, which most are expecting to last them 20 years or more. The Vanguard data covers only their participants with retirement accounts. But according to the Federal Reserve, about 1 in 4 non-retired Americans have no retirement savings at all.[2]

Lack of workplace retirement benefits is a driver of retirement insecurity. Workers not having enough retirement savings largely stems from not having workplace retirement benefits. Specifically, according to AARP:[3]

- Approximately 41% of Pennsylvania workers in the private sector ages 18 to 64 – over 2 million in total – do not have access to a retirement plan at their job.
- Employees of small businesses are less likely to have access to a retirement plan. Among Pennsylvania firms with under 10 employees, 76% of workers lack access to a retirement plan, and about 57% of such workers at firms with between 10 and 24 employees lack access to a plan.
- Retirement plan access also differs by race and ethnicity. In Pennsylvania, 55% of Hispanic workers, 54% of Black workers, 40% of Asian American workers, and 38% of White workers lack access to a workplace retirement plan.

[1] Vanguard, 2023, "*How America Saves 2023*", Figure 55, https://institutional.vanguard.com/content/dam/inst/iig-transformation/has/2023/pdf/has-insights/how-america-saves-report-2023.pdf

[2] Board of Governors of the Federal Reserve System, May 2023, "*Report on the Economic Well-Being of US Households in 2022*", Figure 32, https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-retirement-investments.htm

[3] AARP, 2022, *Fact Sheet: Pennsylvania,* https://www.aarp.org/content/dam/aarp/ppi/2022/state-fact-sheets/Pennsylvania.doi.10.26419-2Fppi.00164.024.pdf

Lack of access to retirement benefits is the result of a voluntary, employer-based system of employee benefits. If workers have retirement benefits, they receive them largely through employers. Of course, people can save on their own, but research from AARP shows that people are 15 times more likely to save through payroll deductions.[4] And for those working at a business with retirement benefits, the system can work well. However, many employers, and particularly small firms, find it difficult to offer retirement benefits due to high startup costs and a lack of administrative capacity.

In 2023, Pew surveyed businesses in Pennsylvania with 100 or fewer employees.[5] All surveyed businesses were local firms as opposed to franchises. The survey found that employers offer retirement benefits primarily because doing so benefits their workers:

- A major reason was that a plan has a positive impact on employee attitude or performance (79%).
- Employers also said plans help attract and retain quality employees (61%).
- And offering a plan was the right thing to do (63%).

For employers without plans, the survey asked if they ever plan to offer a retirement savings plan, and 56% said they would not offer a plan at any point in the future. When asked why they did not provide retirement benefits, major reasons identified by respondents was that they were concerned about the cost to administer such a plan (33%) followed by the complexity of operating a plan (39%).

An aging population with insufficient retirement savings affects all Pennsylvania taxpayers. As states face budgeting challenges, insufficient retirement savings will increase pressure on public assistance programs, reduce tax revenue, and decrease household spending by retirees. This will shift increasing fiscal costs onto a population of working-age taxpayers that is not growing.

Pew commissioned Econsult Solutions, an economic consulting firm, to quantify the fiscal costs of insufficient retirement savings nationally and in Pennsylvania. The results indicate that the number of Pennsylvania households with residents aged 65 and older is expected to increase by 33%, going from 1.6 million in 2020 to just over 2 million by 2040.[6] The working-age population will not keep up with this growth in the older population, resulting in an expected 42% increase in the ratio of retirement-age households to those of working age from 2020 to 2040.

To maintain the living standards enjoyed by households during their working years, financial advisors recommend an "income replacement" target of 75% of the household's average

[4] AARP, 2023, "State Programs, Federal Incentives Spur Rise in 401(k)s," https://www.aarp.org/retirement/planning-for-retirement/info-2023/rise-in-401k-benefits.html.
[5] The Pew Charitable Trusts, 2023, "Small Businesses in Pennsylvania Support a State Facilitated Retirement Savings Program," https://www.pewtrusts.org/en/research-and-analysis/articles/2023/11/30/small-businesses-in-pennsylvania-support-state-facilitated-retirement-savings-program. Survey toplines can be found at https://www.pewtrusts.org/en/research-and-analysis/articles/2023/11/30/small-businesses-in-pennsylvania-support-state-facilitated-retirement-savings-program.
[6] EConsult Solutions, May 2023, "*The Cost of Doing Nothing: Federal and State Impacts of Insufficient Retirement Savings*". https://econsultsolutions.com/wp-content/uploads/2023/05/Impacts_of_Insufficient_Retirement_Savings_May2023.pdf

income between ages 45 to 64. Looking at households that receive less than $75,000 in income, who are considered economically vulnerable, the study estimates that by 2040, the shortfall in annual retirement income for these vulnerable households relative to that target will be $6,950. As these individuals age, inadequate retirement savings will further reduce their retirement income and hence the quality of life for many.

This shortfall in retirement income means that some Pennsylvania households will need help in the form of Medicaid and other assistance programs. Over the 20-year period of 2021 through 2040, the cumulative costs to Pennsylvania of additional state social assistance program spending due to insufficient retirement savings will reach <u>$19.1 billion.</u>

But there's good news: Even small savings now could help offset the effects of this shortfall. If all Pennsylvania households saved, on average, just an additional $1,660 a year—$138 a month—over 30 years, they could erase the additional $19.1 billion taxpayer cost and ensure retiring households can maintain the living standards they enjoyed during their working years. Even if all households do not save this full amount, a modest increase in savings will reduce the fiscal cost of insufficient savings.

<u>States are implementing solutions to boost retirement savings and reduce taxpayer burdens.</u> States have taken multiple approaches to expand access to retirement savings opportunities to more workers and their families. The most popular state-facilitated program is the automated savings program, also called work & save, secure choice, or auto-IRA. These programs combine payroll deductions, in which wages are deducted and sent directly to an employee's personal IRA, with the same automatic enrollment often used in 401(k) plans. In practice, the state requires that private-sector employees without an employer-sponsored plan at their job be automatically enrolled, with the ability to opt out at any time. Only employers who do not offer plans are required to participate, and their only role is to enroll workers and facilitate payroll deductions.

An automated state savings program can use either a traditional or Roth IRA, but in practice all active states use a Roth IRA, which is funded with post-tax contributions. Investments usually include a range of low-cost mutual funds and other fund options managed by an outside investment firm. Employees can withdraw their contributions tax- and penalty-free for any reason and own their IRAs; neither the state nor employers can control their savings. Participant fees are kept low through the economies of scale in a statewide program with hundreds of thousands of savers. Like the 529 college savings plans, these programs are a public-private partnership with investments professionally managed by a third-party financial firm overseen by the state.

<u>Data and research show the success of state automated savings programs.</u> Sixteen states have already adopted state automated savings programs, and in the last seven years, eight of those programs became active (California, Colorado, Connecticut, Illinois, Maine, Maryland, Oregon, Virginia). The remaining states (Delaware, Hawaii, Minnesota, Nevada, New Jersey, New York, Vermont, and Washington) have passed legislation and are working on implementation.

Recent data from the established programs in California, Colorado, Connecticut, Illinois, Maryland, and Oregon show:[7]

- Over 845,000 savers have funded accounts.
- Savers have already amassed over $1.3 billion in assets.
- Over 212,000 employers have registered for these programs.
- Two-thirds of workers chose to participate and save with average savings ranging from $107 to $280 per month.

Because of their wide adoption, Pew has spent considerable time and effort looking at automated savings programs in terms of how they affect employers, employees, taxpayers, and the private market for retirement plan products and services.

Research shows automated savings plans are well received by employers and workers. In 2020, Pew surveyed participating employers in Oregon—the first state to launch an auto-IRA program, OregonSaves—to assess their views, and nearly three in four (73%) said they were either satisfied or neutral about the program. OregonSaves doesn't charge businesses any fees, and 79% said that they haven't experienced any related out-of-pocket costs. Employees also are having positive experiences. Four out of five (80%) surveyed employers said that they're fielding few or no questions from their employees about the program.[8]

Employers in other states have also eagerly responded to automated savings programs with a no-cost retirement benefit. In California in 2022, nearly 33,000 businesses had enrolled in the state's program more than three months before the scheduled deadline.[9] In Oregon, 27% of eligible businesses joined the program at least 90 days before they were required to do so.[10]

Do these programs work for employees? Pew recently conducted a survey of workers in the Illinois program, and almost two-thirds—62%--were satisfied with their program experience versus only 5% who expressed dissatisfaction. More importantly, 38% said the program made them feel more financially secure versus only 14% who felt that the program made them feel less financially secure.[11]

State savings program also complement the existing private market for retirement plan products and services. As currently operated in other states, the automated savings model should not replace existing retirement plans and should not compete with private retirement plan service providers and financial firms. For example, 401(k) plans offer significantly higher

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[7] Georgetown University Center for Retirement Initiatives, 2024, State Program Performance Data, https://cri.georgetown.edu/states/state-data/current-year/

[8] The Pew Charitable Trusts, 2020, "Employers Express Satisfaction with New Oregon Retirement Savings Program," https://www.pewtrusts.org/en/research-and-analysis/articles/2020/07/30/employers-express-satisfaction-with-new-oregon-retirement-savings-program

[9] CalSavers, 2022, "Participation & Funding Snapshot as of 3/31/2022," https://www.treasurer.ca.gov/calsavers/reports/participation/march-2022.pdf

[10] The Pew Charitable Trusts, 2020, "Employers Express Satisfaction with New Oregon Retirement Savings Program," footnote 7.

[11] The Pew Charitable Trusts, 2022, "Many in Illinois Retirement Savings Program Feel Their Financial Security Is Improving," https://www.pewtrusts.org/en/research-and-analysis/articles/2022/04/18/many-in-illinois-retirement-savings-program-feel-their-financial-security-is-improving

annual contribution limits than the state programs, usually provide a wide range of investment alternatives, and allow employers to make their own contributions to employees' accounts.

Pew examined federal data on employer-sponsored retirement plans to compare new plan adoption rates in states with automated savings programs relative to states without such programs. While the existing state programs are still new, Pew's analysis found evidence that employers are still adopting their own retirement plans. California, Illinois, and Oregon show a higher rate of increase in new plans adopted by employers following the adoption of a statewide automated savings program relative to states without such programs. In other words, rather than competing with the private market for retirement products, state programs complement the private market.[12] These results make sense because many employers don't offer retirement benefits until they've reached a point of financial stability. Thus, the advent of a state automated savings program may be nudging those employers who have been contemplating whether they should adopt their own plan to move forward.

<u>The Retirement Savings Program Act (H.B. 577) would address retirement insecurity in Pennsylvania</u>**.** H.B. 577 would create an automated savings program for private-sector workers in Pennsylvania who work for an employer that does not offer a private retirement plan. The following summarizes the program created in this legislation:

<u>Employers:</u> Pennsylvania employers with five or more employees, that have been in business for at least 15 months, and that do not offer a federally qualified retirement plan to their employees, will be required to facilitate the program, without charge to the employer. The only requirement on the employer is to register with the program, upload an employee census, and process payroll deductions. Employers are not plan sponsors or fiduciaries and cannot make contributions to employee accounts; all reporting requirements are undertaken by the state program.

- According to the Pew's survey of Pennsylvania small business, noted above, most (73%) of small business owners support legislation to establish a privately managed, state retirement savings program – as provided for in H.B. 577 – for their workers.[13]

<u>Employees</u>: Employees are automatically enrolled to begin saving via payroll deduction into their own post-tax Roth IRA but may change their contributions or opt-out at any time. Savers can access their contributions at any time, including for unexpected financial emergencies. The accounts are fully portable and remain with the individual, even if they change jobs or leave the state.

<u>Governance</u>: The program is governed by a six-member board, which determines the program defaults (i.e., the contribution rate, investment type, and escalation of contributions), and

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[12] The Pew Charitable Trusts, 2023, "State Retirement Programs Continue to Complement Private Market Plans," https://www.pewtrusts.org/en/research-and-analysis/articles/2023/04/14/state-automated-retirement-savings-programs-continue-to-complement-private-market-plans.

[13] The Pew Charitable Trusts, "Small Businesses in Pennsylvania Support a State Facilitated Retirement Savings Program."

contracts with private, third-party entities for program administration and investment management.

Pew has evaluated this legislation, and the act aligns with best practices and incorporates programmatic lessons learned from existing state programs. Pew has performed significant research on these programs and views this policy as successful in addressing the retirement savings access gap for the private-sector workforce. For the reasons stated above, Pew supports this legislation.

* * *

In conclusion, Pew commends the Committee for its work on these critical issues and respectfully requests the Committee support the Keystone Saves legislation(H.B. 577). Thank you again for this opportunity to provide our views, and I would be pleased to answer questions.

House Democratic Policy Committee Public Hearing

Wednesday - May 8, 2024 – 9:00 AM
Ryan Office Building – Room 205

AARP Pennsylvania Testimony
Nora Dowd Eisenhower
AARP Pennsylvania Volunteer State President

RE: Pennsylvania Keystone Saves Retirement Savings Program

Good Morning Chairman Bizzarro and members of the House Democratic Policy Committee. My name is Nora Dowd Eisenhower. I am the Volunteer State President for AARP Pennsylvania. On behalf of our 1.8 million members and the 5 million Pennsylvanians who are 50 years of age and older, it is my pleasure to be with you today. AARP is a nonprofit, nonpartisan organization dedicated to helping people ages 50 and older to improve their quality of life as they age. In doing so, we focus not only on those nearing and currently in retirement, but those who are all stages in their careers and will retire in the future.

This state, like many others, is facing a retirement crisis. Today, one in four Pennsylvanians is over the age of 60. By 2030, it will be up to one in three. Without other savings, Pennsylvania retirees will be left to rely solely on Social Security income. The average Social Security benefit in Pennsylvania is about $21,000 a year, while on average older families in Pennsylvania spend $25,000 a year on food, utilities, and health care alone. Social Security was never intended to be a person's sole source of income in retirement. At this rate, one out of every two middle-class retirees will be unable to afford their basic needs in retirement – things like medicine, utilities, and rent. This will cost taxpayers down the line in social services. If we act today, we can reverse this trend, and that is what House Bill 677 and Senate Bill 728 seeks to do.

In addition, certain groups of people of people are disproportionately impacted by a lack of access to retirement plans. The higher rate of part-time employment among women is a large factor in their low eligibility rates for employer-sponsored retirement plans, as they may not work enough hours to be covered by their employer's plans. Employees of color are significantly less likely to have access to workplace retirement plans, and households of color have disproportionately lower retirement savings than white households, even controlling for age and income. A Work and Save program – like Keystone Saves – is needed to reach a huge and underserved population.

How Keystone Saves Works

Keystone Saves will provide an easy pathway for workers to start saving out of their regular paycheck and grow the additional savings they need to take control of their futures. Participation is voluntary for employees. It's up to each worker to decide if they want to participate and how much to contribute. The benefit is portable. Since it's their own money, the employee can take it with them if they change employers.

Action in Other States

Keystone Saves is similar to programs that several other states – such as Oregon, Illinois, and California - which have taken action to move forward on retirement security. Today, 19 states have enacted new programs for private sector workers, and more states are well-positioned to continue this work across the country, with a number of states introducing and actively pursuing legislation this year. The momentum does not appear to be slowing down, either. In fact, we've seen great progress including new legislation enactment and increased support for programs. Such as the 2022 U.S. Supreme Court declining to hear a case against California's state-run retirement program called CalSavers, decisively ending a lawsuit that has been repeatedly struck down in lower courts as these programs do not run afoul of federal law.[1] This should give states even more confidence in the legality and importance of this kind of program.

The first state to implement this kind of retirement security solution was Oregon with their launch of OregonSaves in 2017. It was followed closely by Illinois and California implementing similar programs. Between these three states, there is more than $1.4 billion in assets under management, with more than 858,000 funded accounts. It is important to note that many of these workers are first-time savers, who otherwise would have had no access to a payroll deduction retirement savings option. The success seen in already existing programs is a great example of how these programs can really make a difference for people trying to save their own money for retirement. Additionally, Pennsylvania has a rapidly growing older adult population. Today, one in four Pennsylvanians is over the age of 60. By 2030, it will be up to one in three. With a growing pool of older adults with too little money to maintain their living standards in retirement, the trend is anticipated to put a financial stress on the state budget.[2]

[1] https://www.treasurer.ca.gov/news/releases/2022/5.pdf

[2] https://www.ncsl.org/labor-and-employment/state-and-federal-impacts-of-insufficient-retirement-savings

Conclusion

The benefits of Keystone Saves are clear. And Pennsylvanians have spoken: In AARP Pennsylvania's just released poll of likely 2024 voters 18 and over, 77 percent said they favor creating Keystone Saves, a retirement savings program for the 40 percent of Pennsylvania workers who do not have access to a retirement savings program through their employer. It's time we address Pennsylvania's retirement savings crisis head-on. Let's give the state's workers an important new tool to set the course for their own financial future. AARP is fully supportive of the passage and implementation of Keystone Saves. Thank you for giving me the opportunity to speak today.

House Democratic Policy Committee Hearing

Testimony by David Gonzalez, Director of Economic Initiatives of the York County Economic Alliance

York County, PA

May 8, 2024

Good morning, everyone. Thank you, Chairman Bizzaro and the members of the House Democratic Policy Committee for the opportunity to speak today on retirement savings legislation, particularly the Keystone Saves Initiative (HB577). My name is David Gonzalez, and I have the distinct pleasure of serving as the Director of Economic Initiatives for the York County Economic Alliance (YCEA), York County's Chamber of Commerce and Economic Development Corporation.

Our team works throughout the county to best position the businesses, community groups, and our residents to be economically competitive. This is driven through our 10-year county Economic Action Plan, an 82-page strategy, with 142 action items spread across 7 focus areas inclusive of everything from our rural economy, quality of place, and entrepreneurship.

One of the programs we've established as an outcome of that plan is the BLOOM Business Empowerment Center, a clearing house for business support programming and access to capital. We tracked early in the development of our plan that fundamental business-building education was needed for starting a business and operating a business. Business model development, accounting, succession planning, legal help, to name a few, were highlighted by newer business owners and would-be entrepreneurs as having difficulty in accessing.

At an alarming rate, we also learned that several small business owners and employees lacked a viable retirement savings vehicle in our county. This is echoed by a statewide figure of nearly two million residents who lack adequate means to prepare for their retirement, we urgently need to address this issue. Decisive action is certainly needed to alleviate this impending crisis.

The Keystone Saves Legislation, HB577, presents a comprehensive solution to this pressing problem. By establishing a state-facilitated retirement savings program, we can provide the necessary infrastructure for individuals, particularly those working for small businesses, to secure their financial future. This legislation offers a simple and effective mechanism for workers to contribute to retirement savings through automatic payroll deductions, thereby promoting a culture of saving that is sorely needed. A payroll deduction is a very simple process that nearly every business is already doing for matters such as taxes and healthcare.

Keystone Saves is a win for the business community because it offers them a no-additional-cost way to provide their employees with the option to save for their retirement through the workplace. The overwhelming majority of people who save for their retirement do so through a program offered by their employer. Some employers may struggle to provide their employees with a private retirement option, and Keystone Saves is a great solution for those businesses. Ultimately, Keystone Saves helps businesses give their employees the tools they need to achieve retirement security and as we know, it can be a valuable tool to recruit and retain employees as a part of a benefits program.

Moreover, the support for such initiatives is not just coming from consumer groups and chambers of commerce like mine. The Pew Charitable Trusts found that small businesses in Pennsylvania overwhelmingly support the establishment of a state-facilitated retirement savings program. This demonstrates a broad consensus among key stakeholders that such programs are necessary to address the retirement savings gap in our state.

Additionally, state-facilitated retirement savings programs have proven successful in other states. These programs have effectively accelerated retirement savings and in many cases, encouraged employers to start 401(k) plans by providing a streamlined approach and alleviating administrative burdens. By leveraging the lessons learned from successful implementations elsewhere, Pennsylvania can implement the Keystone Saves program with confidence and maximize its impact.

We must consider the broader fiscal implications of failing to address the retirement savings crisis. According to a report by The Pew Charitable Trusts, Pennsylvania faces a looming $17.8 billion fiscal shortfall, highlighting the urgency of taking proactive measures to strengthen the financial security of our citizens. By implementing the Keystone Saves program, we can mitigate the strain on public resources and alleviate the burden on future generations.

From the perspective of the York County Economic Alliance, this legislation aligns with our commitment to supporting the vitality of our local businesses and communities. As previously noted, small businesses, often lack the resources and expertise to offer retirement benefits to their employees. The Keystone Saves program would alleviate this burden by providing a low-cost, turnkey solution that allows employers to offer retirement savings options without imposing undue administrative costs or complexities.

Furthermore, fostering a culture of retirement savings among our workforce is not just a matter of individual financial security; it is also critical for the overall economic health of our state. A populace that is financially secure in retirement is more likely to contribute to consumer spending, invest in local businesses, and alleviate the strain on social services in later years. By ensuring that all Pennsylvanians have access to a viable retirement savings vehicle, we can lay the groundwork for a more prosperous and resilient future.

I urge the members of this committee to support the Keystone Saves Legislation HB577. By doing so, we can take a significant step towards reducing the number of Pennsylvania citizens without adequate retirement savings, while also promoting the fiscal health of our state and supporting the small businesses that are essential to our economy.

Thank you for your attention to this critical issue and consideration.

House Democratic Policy Committee Hearing Testimony Re. Keystone Saves Retirement Program

May 8, 2024

Many don't realize or recognize that our country is fast approaching a severe, large-scale retirement savings crisis, and we must look for solutions before the problem worsens. In Pennsylvania, there are as many as 1 million full-time private-sector workers who lack access to a retirement plan through their jobs. And when part-time workers and independent contractors are factored in, the figure more than doubles to 2 million.

In the next 15 years, the number of Pennsylvanians aged 65 and over is projected to grow to over 3 million, an alarming percentage of whom lack sufficient retirement savings. A study by the Pew Charitable Trusts found that this will result in a drastic increase in reliance on public assistance programs to the tune of $14.6 billion in increased state spending and $3.2 billion in lost tax revenue through the year 2035. To solve a big problem, we need big ideas. One of those big ideas is the Keystone Saves program.

The proposal has received bipartisan support in the General Assembly as well as from the business community. A separate 2023 Pew study surveyed 500 Pennsylvania small business owners, asking their views on a state-run auto-IRA program. Of the businesses surveyed, 75% say they would support such a program, with 26% in strong support. Of the businesses that belong to a local or state chamber of commerce, or to the National Federation of Independent Businesses, that figure remains consistent at 73% of businesses in support. The Keystone Saves Coalition includes numerous businesses, business associations, and local and regional chambers of commerce, including the Harrisburg Regional Chamber.

We in the business advocate community must do our part in raising awareness of solutions like Keystone Saves. Auto-IRA programs have shown enormous success in other states, and they have provided options to many who are lacking access to retirement vehicles. Continuing even beyond the utility of state-facilitated programs themselves, a study from the National Bureau of Economic Research shows an increase in the prevalence of employer-sponsored retirement programs in states that enact a state-facilitated program. State approval of programs like Keystone Saves leads to greater availability of retirement savings options across the board. If we want to be able to make the kind of investments we need to make in economic development, infrastructure, and workforce development over the coming years, it is critical that funds are available for those investments and not being used to compensate for Pennsylvanians' insufficient retirement savings.

Keystone Saves legislation was introduced and passed by the Pennsylvania House last year, and it will continue to be an important part of our advocacy agenda as we move steadily toward the Commonwealth's June 30 budget deadline. We urge our regional delegation of the General Assembly, please be part of the solution and pass Keystone Saves.

Ryan Unger
President & CEO
Harrisburg Regional Chamber

Pennsylvania House Democratic Policy Committee
Testimony re: Keystone Saves Retirement Program
May 8, 2024

Chairman Bizzarro and members of the House Democratic Policy Committee, thank you for the invitation to submit comments on House Bill 577, legislation that would enact the Keystone Saves automatic IRA program in Pennsylvania. We appreciate your leadership and support in passing this legislation out of the House last year.

The Pennsylvania Restaurant & Lodging Association (PRLA) represents the entirety of Pennsylvania's hospitality and tourism industries, including restaurants, hotels, and travel and tourism partners across the Commonwealth. One of the top challenges of the hospitality industry today is to recruit and retain great staff while helping employees grow in their careers. To that end, our member operators are continually seeking ways to promote employee welfare within their establishments. The ability to offer long-term benefits, like retirement savings, is an important piece of that overall picture that is often difficult for small businesses operating on very slim profit margins to achieve.

HB 577, then, is a win for both our members and their employees, as it would allow our members, particularly these small and/or family-owned businesses, to provide their employees with an avenue to save for their retirement that they otherwise may not have had the resources to be able to do. It would allow our members to help contribute further to the financial security of their employees through a simple payroll deduction without any additional cost to their businesses.

HB 577 is also a win for the Commonwealth. We understand that, according to a recent study from the Pew Charitable Trusts, Pennsylvania faces an estimated $17 billion negative fiscal impact over the next 15 years because of residents under-saving for retirement. More than two million eligible Pennsylvanians work for employers who don't currently offer a retirement plan to their employees. To help solve this problem, HB 577, if enacted, would result in more employees, including many from the hospitality industry, saving for their retirement.

PRLA appreciates the House Democratic Policy Committee thoughtfully examining this issue and looks forward to continued dialogue in the General Assembly. Thank you again for the opportunity to participate.

Lauren Brinjac
Senior Director of Legislative Affairs
Pennsylvania Restaurant & Lodging Association