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Date: February 7, 2022

To: The Honorable Steven Johnson, Chair  
House Committee on Insurance and Pensions

FROM: Glenda DuBoise, AARP Kansas State Director  
Jessica Eckman, AARP Senior Legislative Representative

RE: HB 2586, Enacting the Kansas work and save type program act.

Dear Chairman Johnson,

Chairman Johnson and members of the House Insurance and Pensions Committee, my name is Jessica Eckman and I am a Senior Legislative Representative with AARP. Thank you for considering our testimony on House Bill 2586, the Kansas Work and Save Program Act.

This state, like many others, is facing a retirement crisis. The average Social Security benefit in Kansas is about \$21,000 a year, while on average older families in Kansas spend \$24,000 a year on food, utilities, and health care alone.<sup>1</sup> 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 take action today we can reverse this trend, and that is what House Bill 2586 seeks to do.

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<sup>1</sup> <https://states.aarp.org/work-save-its-time-for-an-innovative-solution/>;  
<https://www.businessinsider.com/social-security-retirement-benefits-by-state-2018-4>

## **Retirement Insecurity in Kansas**

Kansas is no exception to this retirement crisis. The Georgetown Center for Retirement Initiatives recently conducted a study that found that 22% of Kansas seniors rely on Social Security for at least 90% of their income.<sup>2</sup> Personal retirement savings is a prerequisite to self-reliance in retirement, and we know that employees are 15 times more likely to save merely by having access to a way to save at work.<sup>3</sup> Yet about 42% of Kansas's private sector employees- approximately 423,000 individuals- work for an employer that does not offer a retirement plan.<sup>4</sup> This problem is not going to solve itself.

The problem is lack of access. Although individuals without access to a way to save for retirement at work could open up their own individual retirement accounts, this rarely happens. Only 5% of people will go out on their own and open an IRA, and the numbers haven't changed in decades.

## **How House Bill 2586 Works**

This legislation provides for a program that is a public-private partnership approach to retirement savings. In order to understand how this program would work, it is helpful to break the impact down into three groups: employers, employees, and the state.

### *Employers*

Businesses would have access to a simple, plug-and-play retirement program for their employees, which is professionally managed and easy to use. The operational and regulatory burden of running a retirement plan is taken away from small business owners, and business owners could voluntarily choose to offer access for their employees. The private sector would facilitate the program, and it would be overseen by

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<sup>2</sup> Kansas: State Benefit of Expanding Access to Retirement Savings. <https://cri.georgetown.edu/wp-content/uploads/2021/02/ks.pdf>

<sup>3</sup> AARP Public Policy Institute estimates from the March 2017 Current Population Survey, U.S. Bureau of the Census.

<sup>4</sup> David John and Gary Keonig, "Workplace Retirement Plans Will Help Workers Build Economic Security," AARP Public Policy Institute, 2015. <https://www.aarp.org/content/dam/aarp/ppi/2015-08/aarp-kansas-fact-sheet.pdf>

the state. Business owners would only be responsible for disseminating information packets to their employees and running payroll deductions.

### *Employees*

Employees are offered the option to participate in the program. They have full control over how much they want to put away and what they want to invest in – how much you save, if at all, is entirely up to you, as are investments. Accounts would be portable so a person could take their savings with them, if they change jobs. Economies of scale will keep costs low, while also generating new business for the private sector.

### *The State*

With regard to the state, this program is designed to be self-sustaining over time, and will be participant-funded. The state is not responsible for market performance - what a participant puts in is what they get out, plus or minus gains and losses in the market. The state plays the role of aggregating small businesses who otherwise would have to go out and pay retail for a retirement plan, operate it, choose the investments and providers, incur fiduciary liability, and fill out a great deal of paperwork when they could be using that time to keep their doors open instead.

By affording workers access to a simple way to save for retirement, fewer households will need to rely on social services, ultimately savings taxpayer dollars. Research has found that Kansas could save \$51 million on public assistance programs between 2018 and 2032 if lower-income retirees saved enough to increase their retirement income by \$1,000 more per year.<sup>5</sup> In addition, Work and Save will grow a new generation of investors, who can build their assets and invest in more complex financial services products down the road.

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<sup>5</sup> William Shiflett and Catherine Harvey, “Kansas Could Save \$24 Million by Helping People Save for Their Own Retirement,” AARP Public Policy Institute, 2017.

[https://www.aarp.org/content/dam/aarp/ppi/2017/04/AARP1150\\_FS468\\_Kansas\\_May1v2.pdf](https://www.aarp.org/content/dam/aarp/ppi/2017/04/AARP1150_FS468_Kansas_May1v2.pdf)

### Action in Other States

Many states have taken action in moving forward on retirement security, as 14 states have enacted new programs for private sector workers.

Three states have been up and running for several years with their programs. Between these three states, there is over \$420 million in assets under management, with nearly 430,000 funded accounts. It's 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, and save Kansas taxpayer dollars, as well.

### Conclusion

AARP is fully supportive of the passage and implementation of this bill, and we urge you to support House Bill 2586.