



Mr. Chairman and members of the Committee, my name is Irene Martinez Jordan. I am a retired teacher and educator. Thank you for allowing me the opportunity to testify on behalf of AARP.

AARP is the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families. We have approximately 38 million members nationwide and nearly 682,000 members in Colorado.

Senate Bill 200 has numerous facets that need serious studying. I will address two: the important role of defined benefit plans and the need for continued cost of living increases.

In 1959 Dr. Ethel Percy Andrus, a retired high school principal, founded AARP to address the retirement and health care needs of retirees after discovering that a former colleague was living in a chicken coop. The retired teacher had lost all of her retirement savings and the chicken coop was all she could afford.

AARP has worked hard to strengthen the retirement security of all American workers, including teachers and other public employees like school paraprofessionals, state troopers, judges, college and university personnel and some state legislators, so that they can live their retirement years with dignity, independence and purpose.

Defined Benefit Plans play an important role in the retirement security of our state's public employees. Teachers and state employees are not covered by Social Security, a defined benefit plan, so PERA was created to provide them with a retirement safety net. However, PERA recipients do not have access to all aspects of Medicare.

National Institute on Retirement Security (NIRS) research shows that poverty rates for older households lacking adequate pension income are six times more likely than those with adequate incomes to be forced into public assistance programs.

AARP believes strongly that Americans are faced with a crisis where the goal of achieving adequate and secure retirement income is becoming increasingly difficult. SB 200 adds to that difficulty for Coloradans.

Another area of particular concern to our members is the suspension and reduction in the cost of living increase. This is particularly troubling for older retirees who rely on COLAs to keep up with inflation and the ever-increasing cost of goods and services they need to survive.

COLAs help to ensure that the purchasing power of an individual's earned benefits remains the same no matter how long they may live, and how quickly prices might rise. Without COLAs, with a reduced COLA, or with an extended period between COLAs, rising prices can quickly erode the value of a retiree's income. Even a low inflation rate can significantly impact their purchasing power over time. And with the added impact of longevity, this can leave many retirees with inadequate resources when they are most vulnerable.

Americans in their 80s and 90s generally have less income and fewer financial assets, while they also face increasing out-of-pocket medical costs and are at greatest risk of poverty. As such, AARP asks the committee to rethink the COLA suspension and reduction that is currently part of SB 200.

Our members are concerned with Senate Bill 200's option to select a Defined Contribution (DC) plan instead of the Defined Benefit (DB) plan.

We feel the expansion of the Defined Contribution option will create a significant cost increase to employers because the amount of existing Defined Benefit plan liabilities must still be paid.

For public employees who do not generally have strong financial backgrounds, Defined Contribution plans are inherently risky, placing the full risk and burden of saving enough for retirement on individual employees. Defined Contribution plans were designed to *supplement* typical pension plans and Social Security; not to replace them. Without the Social Security safety net, Defined Contribution members could potentially increase future public assistance costs as employees retire with inadequate retirement savings.

Thank you for allowing us the chance to share some of our concerns with the committee. AARP Colorado is not opposed to making changes to the PERA pension plan. However, we would like changes that provide solutions to existing problems. We are concerned that is not the case for SB 200. We oppose the bill as currently written, but look forward to working with the committee on legislation that helps to ensure the long term sustainability of our pension system while preserving the financial security of Colorado's dedicated public employees and retirees.