



Connecticut Association for Human Services
110 Bartholomew Avenue · Suite 4030
Hartford, Connecticut 06106
www.cahs.org

Casey McGuane, President
James P. Horan, Executive Director
860.951.2212
860.951.6511 fax

PUBLIC COMMENT REGARDING PA 14-217 ON THE CREATION OF A PUBLIC RETIREMENT PLAN IN CONNECTICUT

To the members of the Connecticut Retirement Security Board (CRSB):

I am Roger Senserrich, Policy Director for the Connecticut Association for Human Services (CAHS). CAHS is a statewide, nonprofit agency that works to reduce poverty and promote economic success through both policy and program work.

We are submitting this written comment to express our support for the creation of a public retirement plan in Connecticut, and discuss some of the issues to be discussed in the market feasibility study that the CRSB will be drafting.

During the 20th Century, the United States was extremely successful reducing economic hardship among the elderly. In 1939, before the creation of Social Security, 68% of Americans over 64 lived below the poverty line. This number fell to 29% by 1966, and was further reduced by Medicare and the spread of pension plans to 9% today.

These gains, however, are now at risk. In 2010, only 60% of families on the verge of retirement had any savings at all. Of those that had retirement accounts, the median amount of savings was \$100,000, an insufficient amount to complement the average \$15,000 paid by Social Security.

This low level of savings is relatively new, and comes from a combination of stagnating wages, decreasing pension benefits and the progressive switch to 401(k) and other defined contribution plans. These changes have left many employees with insufficient savings, poorly managed, expensive investments and low returns. More worryingly, an increasing number of workers lack any access to retirement plans at all, and have very little time or incentive to save for retirement.

The proposed public retirement plan should be aimed at addressing these issues. A guaranteed, insured rate of return would contribute to bolster retirement income in a predictable, stable fashion.

To make the plan truly effective, however, the Board should work to ensure that the sign up, administration, contribution and withdrawal process is as transparent and user friendly as possible, and that both employers and employees do not face significant barriers to enroll or participate in the program. One of the biggest barriers for many families without retirement savings is the sheer complexity to enroll and administer retirement plans. The public retirement plan, consequently, should be as simple as possible, making enrollment as close to automatic (opt out) as possible. The plan should focus on offering straightforward, low risk investment vehicles, with limited options, relying on low risk investment to avoid complexity. Management should be passive and focused on minimizing fees. By default participants should be enrolled in plans based on index funds, with an automatic conservative shift to bonds when nearing retirement.

Benefits should be structured following similar principles, emphasizing security over returns. Lifelong streams of income should be favored, with a focus on guaranteeing long term income stability over choice. The model, in this case, should be Social Security; guaranteed returns being the guiding principle. Withdrawals, consequently, should be as severely restricted as possible, as the aim of the program is to provide safe retirement income.

We strongly believe that Connecticut, and the nation, are facing a retirement crisis. More and more, families face retirement without having access to save, affordable and secure savings options. The public plan should be provide this option, and bolster saving where are the most needed.