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November 3, 2014

Connecticut Retirement Security Board
Office of the State Comptroller
55 Elm Street
Hartford, CT 06106

Attn: CRSB Request for Public Comment

Dear Comptroller Lembo, Treasurer Nappier, and Members of the Board:

On behalf of the National Federation of Independent Business (NFIB) in Connecticut, thank you for the opportunity to provide these initial comments to the Connecticut Retirement Security Board (CRSB) in response to your recent Request for Public Comment concerning the activities of the CRSB and your mandated market feasibility study on the implementation of a state-run retirement plan for the private sector. As a matter of background, NFIB is a non-profit, non-partisan organization founded in 1943, and is Connecticut's and the nation's leading small-business association. Here in Connecticut, NFIB represents thousands of small business owners and their employees. Our membership is scattered across the state and ranges from sophisticated high technology firms to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is *"To promote and protect the right of its members to own, operate, and grow their businesses."*

NFIB/Connecticut and our members have serious concerns with the development of a state-run retirement plan for private sector employees. When NFIB/Connecticut balloted our members on this issue, the response was overwhelmingly in opposition, on several occasions. Creating a state-run retirement savings plan for private sector employees (especially with a set rate of return on investment) seems not only daunting, but also costly and unnecessary. Mandating employers with five or more employees to automatically enroll their workers into the state-run plan unless a retirement savings option is already available at the workplace seems like an unnecessary intrusion into the employer-employee relationship and would also further subject employers to possible violations and sanctions by the Department of Labor.

NFIB/Connecticut certainly applauds and agrees with the proponents' of such a plan and their interest in encouraging Connecticut residents to save for retirement, but we also believe that a new public solution is a major step in the wrong direction. With the state already facing a massive unfunded pension liability for its public sector workers, there is little to give those in the private sector much confidence that a new public retirement program for private sector



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employees would be any more successful. NFIB/Connecticut believes that a better course of action is a strong and robust focus on financial literacy for all ages and public awareness of retirement savings options. Many small business owners that do already offer plans respond that their employees simply choose not to participate in the employer sponsored plans, even when automatic deductions are made available, and even in the face of an employer match. Simply put, many employees have the opportunity to participate in retirement savings plans through their small business employers, but they choose not to. Furthermore, while we agree with the need for boosting retirement savings, it troubles our members that the state of Connecticut will be trying to “reinvent the wheel” so-to-speak and competing with the private marketplace. Additionally, there appears to be a federal solution on the horizon with the U.S. Treasury’s “MyRA” program, as well as various private marketplace solutions (i.e. Legg Mason Inc.’s recently announced “EZ-IRA”), and therefore NFIB/Connecticut also has questions as to how the proposed program in Connecticut would interact with, compete with, and/or supplant these federal and marketplace initiatives.

A specific concern with a state-run plan among small business owners is that the employer mandate will become highly problematic. Placing an additional mandate, even one that is purported to simply be administering automatic withdrawal through payroll deductions, in reality this process is much more complicated and further, additional mandates on employers of any size runs counter to efforts to make the state more business friendly. In addition to the administrative and record keeping burdens placed on small businesses as a result of this legislation, employers in general and small employers in particular want and need the flexibility to offer the mix of compensation and benefits that best meets the needs of their employees. Requiring employers to offer a benefit that their employees may not value or even use is not an effective use of these employers’ time and resources. While employees may, for example, prefer different benefits or additional compensation, employers would be forced to offer this benefit, possibly at the expense of others, or potentially face a sizeable penalty. In addition, this mandate also reduces flexibility of employees, who, unless they choose to opt-out, will have a minimum dollar amount automatically deducted from their paycheck, money that they may prefer to have in their pocket.

Despite the provisions contained in the original legislation from 2014 (Senate Bill 249) as well as the enabling legislation for the CRSB (P.A. 14-217) regarding ERISA, employer immunity, and the like, there is also concern about operational questions and potential liability issues a state-run program would raise for small employers. An offering/participation mandate could be read to require a host of educational as well as record keeping requirements for every employee at the risk of significant legal challenges by employees.

In addition, small business owners, as taxpayers, are concerned that the state would be incurring substantial costs to provide this service, as well as ongoing operational, oversight, compliance and insurance costs.



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The government mandate in is an economically dangerous imposition of additional costs and further meddling by state government into the operations of many Connecticut employers, the very employers who are being relied upon to help lead the state into economic recovery. Again, while NFIB/Connecticut is supportive of the intent of encouraging more retirement savings for our residents, shifting part of that burden onto small businesses does not make sense for both business owners and taxpayers, and as such NFIB would suggest a stronger focus on financial education and retirement planning awareness.

Thank you for the opportunity to comment. NFIB/Connecticut encourages the CRSB to consider the viewpoints of those on “Main Street” and to work with all parties to develop a meaningful, effective solution to this issue. We look forward to working with you in this regard.

Sincerely,

A handwritten signature in black ink that reads "Andy Markowski". The signature is written in a cursive, flowing style.

Andrew E. Markowski, Esq.
State Director
NFIB/Connecticut