

***Statement of the
Insurance Association of Connecticut***
Before the
Connecticut Retirement Security Board (“CRSB”)

CRSB
Office of the State Comptroller
55 Elm Street
Hartford, CT 06106

November 19, 2014

Dear Chairpersons Nappier and Lembo, and Members of the CRSB:

The Insurance Association of Connecticut (“IAC”) appreciates the opportunity to offer our written comments on the feasibility study of a public retirement plan that the CRSB is conducting pursuant to PA 14-217.

Since the CRSB has just begun its work and is still in the process of developing its policy positions on the feasibility or need for a public retirement plan, we offer our comments based on the proposal set forth in the original version of the legislation last year that was the ultimate impetus for PA 14-217 (the “Original Bill”).

For the record, IAC strongly opposes the creation of a state-run retirement plan for private sector employees.

It is our understanding that the goal of a state-run retirement proposal would be to seek to increase the public’s participation in saving for their future retirements. We completely agree with this goal.

However, we believe that creating a state-run retirement plan is not the optimum or correct way to accomplish this goal.

The retirement plan market in Connecticut is highly competitive. Life insurers, an integral part of this state's economy, participate fully in that market and provide a wide variety of retirement plan products and services, on both a group and individual basis. Insurers are actively and aggressively competing with the rest of the financial services industry for business every day in the private sector.

There is no shortage of retirement plan options available to businesses and individuals in this state, including numerous low-cost options that are designed to meet the needs of small employers and their employees.

IAC believes the State of Connecticut should not be in the business of competing directly, and unnecessarily, with the state's life insurance industry and the tens of thousands of employees, agents and brokers that work in it.

Various other states have studied the issue of private sector retirement savings, and several have considered legislation similar to the Original Bill. In 2013, six other states defeated state run retirement plan legislation. Several states have already killed bills in 2014. To date, no state has implemented such a bill, and for good reason.

The Original Bill would have imposed various mandatory administrative and recordkeeping on employers, along with corresponding costs. Those employers, and the State, could be subject to potentially significant liability as plan fiduciaries.

There is no evidence that a state-run plan can be administered in a way that is less costly than what is available in the private marketplace. In fact, such a plan raises the possibility of redefining what is considered an "administrative cost" in order for the plan to ostensibly meet its maximum cap on plan administrative costs.

Previous studies have shown that a state will incur substantial start-up costs in developing and implementing such a plan. For example, a study in the State of Washington showed that the state, and its taxpayers, would be responsible for millions of dollars in plan costs until the plan became self-sustaining.

In addition, the State of Connecticut could be responsible for huge plan shortfalls if investment returns fail to cover the plan's guaranteed rate of return and ongoing administrative overhead.

California is the only state that has adopted legislation (2012) similar to the Original Bill. However, there was so much concern about the potential financial and legal problems that could result from the legislation that California has embarked on an extensive and expensive multi-year feasibility study that won't likely be completed until the end of 2015.

Both the California bill and the Original Bill would require their respective plan boards to seek an advisory opinion from the U.S. Department of Labor that such a state run retirement plan would not be subject to the Employee Retirement Income Security Act (ERISA). Recent DOL opinions indicate that the proposed plans are not likely to receive such an opinion letter.

It should also be pointed out that President Obama, by Executive Order in January, established the "myRA" program for private sector workers. According to the U.S. Treasury, this voluntary retirement program will be operational by the end of 2014, and will allow workers to participate with an initial investment of as little as \$25. The myRA program will charge no fees and will have guaranteed rates of return backed by the U.S. Government.

IAC would respectfully submit that, rather than establishing a state-run retirement plan, the public and all other interested parties would be better served by the state seeking ways to improve awareness of the variety of retirement plan options currently available

in the retirement services marketplace, and to encourage greater participation by individuals and businesses in that marketplace.

Thank you, again, for the opportunity to offer these comments.