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Comments presented to the Connecticut Retirement Security Board at its Public Hearing
Submitted by Lindsay Farrell, Connecticut Director

State Comptroller Kevin Lembo, State Treasurer Denise Nappier, and members of the Connecticut Retirement Security Board, thank you for holding this public hearing today.

My name is Lindsay Farrell and I am the State Director of the Connecticut Working Families Organization. Working Families organizes on behalf of working and middle class families on bread and butter economic issues. One of our priorities last year was fighting to create a public retirement savings program.

The issue is critical because we are facing a retirement crisis. The traditional 'three-legged stool' of retirement (employer sponsored pensions, Social Security, and private retirement savings) is increasingly unbalanced and forces workers to rely more and more on private savings. The Center for Retirement Research at Boston College estimates that 53% of American workers 30 and older are at risk to have insufficient assets for retirement when they reach 65.

While the economic crisis has played a role in exacerbating the retirement crisis, the problem is largely caused by lack of access to affordable and reliable retirement funds. A 2013 study found that 50% of Connecticut workers were not participating in an employer sponsored retirement plan. Such plans are rapidly disappearing. Between 2000 and 2010, the state saw a 7% decline in employer sponsorship of retirement plans.

That is why the Connecticut Retirement Security Board's feasibility study is so critical. Connecticut Working Families believes that every single worker should look forward to retirement free from financial worry and hardship. After a lifetime of hard work, every worker should have a guaranteed retirement income that prevents them from slipping into poverty. Creating a stable, low cost, low risk, state run plan will allow the 740,000 workers in Connecticut who do not participate in an employer-sponsored retirement savings plan the ability to retire with financial security.

There are many details the Connecticut Retirement Security Board will need to decide in order to ensure a sustainable program. But a few details seem particularly important to guarantee that workers can access the program and benefit from it.

One of the most important details is how participants would be paid once they reach retirement age. The plan should provide a lifelong stream of income for participants. No other payment option provides the kind of long-term financial security this plan seeks to provide.

Retirement should not be a gamble. If you work hard your whole life, you should be able to stop working and not worry about falling in to poverty. With that in mind, the investments made by the plan should not rely on the unpredictable ups and downs of Wall Street. Workers must be able to count on a steady lifetime stream of retirement income. That means investing in steady and reliable assets with no chance of financial collapses like that of 2008.

It is mandatory that this plan be mobile for participants. That is critical to the plan's success. We also believe it is critical for participants to be immediately vested in the plan. Workers in the service industry, where many participants will come from, face additional challenges at work. Intermittent scheduling, extremely high turnover rates, and few hours are standard in fast food restaurants and retail stores. As such, immediate vesting is the only option that makes sense for these workers. If they won't be able to keep money in an account because they have to work a set number of hours or months at a specific job, they may never actually end up participating in the savings plan.

Employers' contributions should also be immediately vested. Workers, employers, and the government should all have a shared role in ensuring a secure retirement. Workers are the backbone of any company. They make it thrive. When they invest their time in to a company, that company owes it to the worker to invest in their future retirement.

Perhaps most importantly, the plan needs to be available to all workers, and therefore must be available through an automatic payroll deduction system to all employees that currently do not have a plan through their employer. People who have access to a plan are much more likely to participate, and those who participate are much more likely to have a better replacement rate when they can no longer work. In addition to low earnings, low-wage workers very often simply do not have access, and this will only be remedied and we make the plan universally accessible.

Finally, management of the plan by workers should be as easy to understand and easy to do as possible. One shouldn't have to be a financial analyst to save for retirement. Workers should understand exactly what they are putting in to the system, and exactly what they expect to get out of the system. They should not have to spend time deciding where their money should go or how their money is invested. One of the advantages of creating a public retirement program is that low and middle income workers will be able to pool their resources and get the kind of financial expertise usually only available to the very wealthy. Making workers actively manage their own investments negates that advantage.

Thank you for your time and consideration. I look forward to seeing the recommendations from the Connecticut Retirement Security Board and working with them in the future to create a way for every worker in our state to retire with security and dignity.