



Council 4 AFSCME
Testimony before the CT Retirement Security Board
November 19, 2014

Co-Chairs, Comptroller Lembo, Treasurer Nappier, Members of the CT Retirement Security Board, thank you for holding this public hearing. My name is Matthew Brokman, and I am a Legislative and Political Representative of Council 4 AFSCME, a union of 32,000 members in Connecticut.

We are glad to be here, glad the legislature saw fit to move forward with creating a Public Retirement Plan and tasked all of you with putting the details onto it. This is a Board that is charged with figuring out the mechanics of a big idea: helping Connecticut's workers have a secure retirement. You recognize as part of that that our current system leaves too many workers with the "work till you die" retirement plan, skewing our labor market and forcing taxpayers to foot the bill for increasing public assistance costs. That's a big charge, but we are glad to be with you in figuring it out.

Turning to your Request for Public Comment, we believe that a Retirement Security Trust should be established, similar to the CHET program that the Treasurer oversees, to hold all plan assets. This Board should then be charged with overseeing that Trust to ensure the Plan meets the goals laid out in statute. A publically-held trust will ensure that all assets in the Plan can be pooled and invested by experts – the same experts who earned a 15% rate of return on the state employee pension fund last year! This will help to keep administrative and investment costs low, help minimize risk, and set the entire plan apart from other funds of the state.

A Board serving as fiduciaries of the Trust, would then be able to make decisions such as the default contribution rate, the rate of return to award plan participants, hedging risk appropriately. Annually, the Investment Advisory Board and the State Treasurer determine the investment strategy for funds held by the state. That document is public. And we would hope that this future Retirement Security Board would be similarly available and transparent.

This trust also better enables the program to piggyback on other arrangements the state already has with employers – such as unemployment insurance and income tax collection. This potential arrangement will allow for less expensive bookkeeping and be similar to a program employers are already comfortable using.

Finally, this program will not put the financial services industry out of business. Only a portion of the marketplace is currently covered. But that said, that's why the vendor website is so important. If the Public Retirement Plan is not the right fit for an employer or employee for whatever reason, or maybe they are just not comfortable with it, they should be able to shop for retirement plans in an easy to understand way. Employers and employees should know how much a plan costs both in administrative fees and in investment fees; employers and employees

should know information about the vendor; employers and employees should know, if multiple, how many investment options a plan offers; and employers and employees should know past performance of those options. This clearinghouse is a big opportunity for vendors to sell their products, in exchange, they should pay for the cost of the site; however, to ensure that it is properly available it should be administered by the Board.

This program is about providing workers the ability to retire one day. AFSCME would like to see the number of 740,000 workers not participating in a retirement plan through their employer drop to 0. We'd like to see a day when workers can retire and still be healthy enough to enjoy life. We know the Public Retirement Plan is a major step in that direction.