CONNECTICUT BANKERS ASSOCIATION

March 11, 2008

To: **Members of the Commerce Committee**

From: **Connecticut Bankers Association**
Contacts: Tom Mongellow and Fritz Conway

Re: **Senate Bill 652 - An Act Concerning Small Business Investment Plans**

Position: **Oppose**

The Connecticut Bankers Association represents 64 banks throughout the State and is the collective voice of the industry. Banks in the State hold over 95 billion dollars of assets, which include funds invested on behalf of Connecticut businesses and consumers in a number of retirement plans such as 401ks, IRAs, SEPs.

Senate Bill 652 would allow the state to provide a 401k plan for small businesses that would be a potentially low cost alternative to privately offered retirement plans.

While this may appear as a simple and a laudable goal, the bill represents a very new and perhaps radical departure from the existing delivery of these financial services, and we urge your opposition to Senate Bill 652 due to the following concerns:

- There is presently a private market for these products which has, and continues to be, operated effectively. Historically the State has regulated private markets, not competed with them.

- While the State has collectively run public employee programs like the 457, 403(b) and 401(a), those programs are managed for state and municipal employees, not the general public.

- Displacing private business with public employees ignores the tax loss ramifications and private sector employment loss.

- Federal pension laws are not simple and one shoe does not fit all. The budgeted amounts shown so far may be inadequate and unrealistic in light of the expertise needed.

- Private sector plans are required to have discrimination testing as there are four separate components of employees – key, non-key, highly compensated and non-highly compensated. Different compensation rules apply to each of the categories. None of these rules apply to the plans currently administered by the state.

- We are not aware of any evidence to date, that sustains the assertion that because many companies do not offer 401(k) plans, the State will be filling this void. Most likely the State will merely attract the already served market with initial low rates. Once the true cost and complexities of the market are realized there will be no savings to employers. The only result will most likely be the destruction of an effective and competitive marketplace.

- The State would need to add a significant number of employees to register firms and their employees, gather payroll data from same, administer testing, loan administration, processing and issuing refunds and plan distributions. The costs associated with these backroom processes appear to have been underestimated.

We ask that you continue to allow retirement plans to be efficiently offered by the private sector, by opposing the unnecessary expansion of State authority found in Senate Bill 652.