



Financial Security...for Life.

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Testimony of the American Council of Life Insurers
Before the Joint Committee on Aging - Tuesday, February 26, 2013

Senate Bill 885 - An Act Establishing a Task Force to Evaluate the Utility of Creating a Public Retirement Plan

Senator Ayala, Representative Serra, and members of the Joint Committee on Aging, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following comments on **Senate Bill 885 - An Act Establishing A Task Force To Evaluate the Utility Of Creating A Public Retirement Plan**. Life insurance companies have a distinct and knowledgeable perspective as providers of comprehensive retirement products which serve the needs of individuals and employers both large and small in Connecticut.

Life insurance is a key part of the Connecticut's economy. The state is fortunate to have a strong group of domestic life insurance companies located in the state. The life insurance industry directly employs 37,000 Connecticut residents and supports an additional 54,000 related jobs in the state. In addition, life insurers invest approximately \$80 billion in Connecticut's economy.

Life insurers actively target small employers with retirement plan products and services. In Connecticut, there are over 45 life insurance companies active in the small employer market. Life insurers hold more than a quarter of all small employer defined contribution plan assets. One third of all small employer plan participants are in plans held by life insurers. We do a lot to help workers save and we work hard each day to do more.

Proposals to create state-sponsored public retirement plans have been introduced in several states over the past few years and yet no state has established such a plan. Proponents generally claim that there is a lack of employee access to employment-based retirement plans. Proponents further assert that a state-run plan would result in administrative cost savings for employees as compared to products offered by private providers. However, even a state-run retirement plan cannot avoid the complex requirements set by federal law and related administrative costs. The US Department of Labor made this clear in its response to Governor Malloy on a proposal to expand the state's health plan to private sector workers. There is no evidence supporting the claim that a state-run plan can be administered in a way that is less costly than what is currently available in the marketplace.

The Nutmeg state has a vibrant retirement services marketplace. Therefore, we do not see any benefit to Connecticut consumers in the creation of a state-based retirement plan for private employers leading to direct competition with Connecticut financial institutions. Instead, we urge the Committee to allow the private marketplace to continue to provide financial protection to Connecticut's citizens.

Thank you for your consideration of our position. Please contact John Larkin at (860) 508-9924 or Kate Kiernan at (202) 624-2463 with any questions.

ACLI is a trade association with more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. ACLI members represent more than 90 percent of the assets and premiums of the life insurance and annuity industry. There are 233 ACLI member companies licensed to do business in Connecticut, accounting for 90 percent of the ordinary life insurance in force in the state.