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S.B. 54— AN ACT ESTABLISHING A RETIREMENT SAVINGS PLAN FOR LOW-INCOME PRIVATE SECTOR WORKERS.
Labor Committee
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AARP is a nonprofit, nonpartisan organization with a membership that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. On behalf of our nearly 600,000 Connecticut members, we are pleased to offer AARP's support for S.B. 54, which would create a defined benefit savings plan for low-income private sector workers who do not currently have access to an employer-sponsored retirement plan.

A major priority for AARP is to improve access, coverage and adequacy of pensions and other retirement saving vehicles. According to the Employee Benefit Research Institute, 46% of workers between the ages of 45 and 54 have LESS than \$10,000 in savings for retirement. Statistics also show that employees who save through an employer-provided retirement plan generally fare better in retirement than those who have no such plan; yet only about 50 percent of workers have a retirement plan available at work, despite numerous efforts over the past thirty years to expand retirement plan coverage and participation. In light of an aging population, the disappearance of guaranteed pensions in the private sector, low or negative savings rates, and the drumbeat of negative news about the long-run solvency of the Social Security system, the time is right for something different.

AARP in Connecticut has supported the creation of a state-assisted savings program in the past. The concept of state assisted savings is a relatively new approach to broaden coverage and would make 401(k)-type plans available to small private-sector employers and their workers who now lack such plans. It could be administered through the state retirement system, with services (e.g., investment advice and reporting) provided by the same businesses that now perform them for employers' 401(k) plans. Its low costs, transparent fee structure, and limited administrative burden would appeal to employers that cannot afford to offer a conventional plan. Its low fees and automatic payroll deductions would make saving for retirement more attractive to low- and moderate-income workers, who are most in need of help in paying for retirement.

The experience with recent state proposals on the introduction of state-assisted savings instruments should be carefully studied. AARP strongly encourages Connecticut to pursue state-assisted savings programs. S.B. 54 would be the ideal vehicle for the creation of retirement savings allowing low income workers to contribute a certain percentage of their annual salary to a state-administered retirement savings trust.

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