

Statement

Insurance Association of Connecticut

Labor and Public Employees Committee

February 26, 2013

**SB 54, An Act Establishing A Retirement Savings Plan
For Low-Income Private Sector Workers**

The Insurance Association of Connecticut (IAC) opposes SB 54, An Act Establishing A Retirement Savings Plan For Low-Income Private Sector Workers, which would establish a state-run defined benefit plan for certain low-income private sector employees.

The retirement plan market in Connecticut is highly competitive. Life insurers, an integral part of this state's economy, participate fully in that market and provide a wide range of retirement plan products and services for Connecticut employers and their employees. Insurers have established thousands of employer-sponsored retirement plans in this state, and are actively competing for more business.

Contrary to the stated intent of SB 54, new defined benefit plans are simply not being created these days, as there is little demand for them. The various funding uncertainties of defined benefit plans have greatly diminished their appeal. In fact, the state's problems with managing its own defined benefit plan for state employees are well known.

There is no evidence that a state-run retirement plan can be administered in a way that is less costly than what is currently available in the private marketplace. However, it is clear that any such state-run plan should be subject to the same myriad of complex administrative requirements, set by federal law, as are private plans.

The state would likely incur substantial start-up costs in developing any state-run retirement plan, along with ongoing operational, oversight and compliance costs. Various strict ERISA information, reporting, and filing requirements would have to be met by the state-run plan.

In addition, ERISA imposes fiduciary duties on those with authority over the plan. The state would be subject to potential liability as a plan fiduciary. State employees, in certain circumstances, could be held personally liable for fiduciary breaches.

IAC would respectfully submit that, rather than establishing a state-run retirement plan as contemplated by SB 54, the public and all other interested parties would be better served by the state seeking ways to improve awareness of the variety of retirement options currently available in the retirement services marketplace, and to encourage greater participation by individuals and businesses in that marketplace.

The IAC requests that the Labor and Public Employees Committee takes no action on SB 54.