



TESTIMONY REGARDING  
Senate Bill 54 - An Act Establishing A Retirement Savings Plan for  
Low-Income Private Sector Workers  
Before the  
Joint Committee on Labor and Public Employees  
February 26, 2013

Massachusetts Mutual Life Insurance Company (“MassMutual”) has been a leading provider of retirement solutions for more than 60 years and is currently the 11<sup>th</sup> largest provider based on assets under management. As a mutual company – unlike publicly traded or privately held companies – MassMutual is owned by its policyholders, so every decision we make is about providing the financial products and expertise that will help our customers reach their financial goals.

More than 2,300 MassMutual employees nationwide work diligently every day to help retirement plan sponsors and their employees prepare for retirement. Our retirement plan products and services combine industry leading analytics and multi-media communications tools to help drive employees to take the important first step of enrolling in their retirement plan and then encourage them to save more and make smart investment decisions.

MassMutual’s retirement plans business has a strong focus on the small and mid-size markets. Our small market products serve plans, including start-up plans, with as few as one participating employee. Our mid-market products cover plans with thousands of participating employees and assets in excess of \$1 billion. We offer a full range of products and services for corporate, union, nonprofit and governmental, defined benefit, defined contribution and nonqualified deferred compensation plans. MassMutual recently acquired the retirement plans business of The Hartford which focuses on the small-to mid-size and tax exempt retirement markets. The combined business now serves approximately 40,000 retirement plans and three million participating employees, representing over \$120 billion in retirement savings. The business has 1,900 employees who will be located at our newly refurbished facility in Enfield, Connecticut.

MassMutual agrees wholeheartedly with the goals of expanding retirement plan access to all Connecticut workers and encouraging those with access to save enough to ensure a secure retirement. We believe there are a number of ways to encourage greater plan sponsorship and participation, particularly among small employers. Regulatory simplification and expanded education of sponsors and employees would be great first steps. However, we do not believe a state-run plan as proposed in SB 54 would achieve those goals.

Federal law – the Employee Retirement Income Security Act of 1974 (ERISA) – allows state and local governments to sponsor retirement plans for their own employees, but not for private sector employees. State governments are not subject to the important fiduciary standards under ERISA that apply to private sector employers and which are critical to protecting plan participants. If the State were to assume ERISA or other fiduciary status over private sector employees, that would represent a very significant new responsibility, and potential liability, for the State. Complying with a fiduciary standard is complex and costly, and could subject the State to litigation from plan participants and participating employers. Even if the State were to delegate

its administrative responsibilities to others entities, the state would retain ultimate fiduciary responsibility for the plan.

It is unlikely that a state-run plan for private sector employees could be operated at a lower cost than private sector plans since the state-run plan would be subject to the same complex ERISA and/or Internal Revenue Code requirements. The per employee cost of administering a plan consisting mostly of small employers and lower wage workers are likely to be relatively high given that average participant account balances are likely to be relatively low. Ultimately, Connecticut taxpayers or the business organizations that participate in the plan would be forced to assume and subsidize these costs. That is in addition to whatever obligation the state would take on for ensuring that the plan was sufficiently funded to pay promised retirement benefits.

The lower rates of retirement plan sponsorship and participation among small employers and their employees does not result from a lack available options. In fact, the Internal Revenue Code already provides for a wide variety of tax-favored retirement vehicles, some of which are designed specifically to reduce complexity and accommodate the needs of small employers. Competition for this business among service providers like MassMutual is robust even with respect to the smallest plans.

The relative lack of coverage and participation in the small employer market is a matter of funding. Many small employers simply do not feel they have the resources to administer or contribute to a plan and many lower wage employees feel they can't afford to contribute even small amounts to a plan given more pressing and immediate demands on their income. As stated before, regulatory simplification and expanded education of sponsors and employees would be great first steps toward helping expanding retirement security for these employees. There is simply no evidence that a state run plan would be more accessible or affordable for these employers or employees.

We respectfully request the committee reject Senate Bill 54 - An Act Establishing A Retirement Savings Plan for Low-Income Private Sector Workers.

We would encourage the Joint Committee on Labor and Public Employees to instead consider ways to create a vibrant job growth environment in Connecticut, educate employers and workers on the need to save for retirement and to encourage the adoption of existing private sector retirement savings programs. These important actions will do more to help Connecticut workers save for their future. We would be pleased to meet with any member of the Committee to discuss these and other ideas for encouraging greater retirement preparedness for the citizens of Connecticut.

Thank you for your consideration of our position. If you have any questions, please contact Hugh J. Barrett, Assistant Vice President, at 413-744-2405 or at [hbarrett@massmutual.com](mailto:hbarrett@massmutual.com).