



*Kate Klernan*  
Vice President, Chief Counsel & Deputy, State Relations

Testimony of the American Council of Life Insurers  
Before the Joint Committee on Labor & Public Employees  
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**SENATE BILL 249 – AN ACT PROMOTING RETIREMENT SAVINGS**

Senator Holder-Winfield, Representative Tercyak and members of the Joint Committee on Labor & Public Employees. The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on **Senate Bill 249 – An Act Promoting Retirement Savings**. ACLI is a life insurance trade association with approximately 300 member companies operating in the United States and abroad. In Connecticut, there are 228 ACLI member companies licensed to do business.

Life insurance is a key part of the state economy. Connecticut 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 insurance companies have a distinct and knowledgeable perspective as long-time providers of retirement products that serve the needs of individuals and employers in Connecticut. ACLI respectfully opposes Senate Bill 249, which would create a state-run retirement savings plan in direct competition with our members. It is ACLI's contention that Connecticut should not be in the business of competing in the robust marketplace of retirement plan products and services already available to Connecticut employers and workers.

Senate Bill 249 would create a state-managed retirement plan for private sector workers. In essence, the state would play the role of a financial services company, putting life insurers at a competitive disadvantage. The proposal raises both practical implementation and fiscal implications.

One of the hurdles that the state will face in creating a pension plan for private sector workers is federal labor laws. The federal Department of Labor has made clear in recent opinions that a plan for private sector employees, even if offered by a Connecticut government, does not receive the ERISA "government" exemption from the Employee Retirement Income Security Act (ERISA). That exemption only applies if the plan is established for government employees. One such ruling is attached to this testimony.

ERISA provides private sector workers with important protections and imposes duties and obligations on those with authority over workplace retirement plans. Senate Bill 249 seeks to establish a plan that avoids ERISA. However, it is not clear that officials of the Connecticut or any member of the Board established to run a plan for private sector workers would be able to avoid the responsibility of ERISA. Each employer that participates in the plan would likely also be subject to ERISA.

For defined benefit pension plans, being subject to ERISA includes the obligation to pay annual insurance premiums to the Pension Benefit Guaranty Corporation (PBGC), which protects workers' pensions. Those premiums are significant.

Another hurdle, represented by those premiums and other ERISA-related administrative costs, is the significant expense to the state. Creation of this type of a program is not inexpensive.

- In the state of Washington, a report to the legislature in 2009 estimated the start-up cost of a state-administered 401(k) plan to be about \$3.4 million over two years, with on-going costs of about \$2 million annually. The other two options studied – private sector-administered IRA plans – were also projected to cost the state millions of dollars.

In addition, many government-run plans for state employees are dysfunctional and have become a serious drain on taxpayers. Plans in states such as California and Illinois are significantly underfunded, and have affected the financial ratings of those states. There is every reason to believe that just as in the case of pensions for state employees, government-run plans for private sector employees will promise much more than they can deliver, creating yet another liability for taxpayers.

Instead of the proposal before you today, the state should encourage additional private sector retirement plan coverage and employer awareness. The state and the private sector should work together to make employment-based retirement plans more widely available.

The market for retirement plan solutions in Connecticut is already robust and highly competitive. Many of the private sector retirement plans already available to employers in Connecticut are convenient and very affordable. They offer a high quality of service, a range of options, and are readily available to large and small employers alike. These affordable products include 401(k) plans, traditional IRAs and Simple IRAs.

In addition, President Barak Obama recently announced a retirement savings program to give working individuals (particularly individuals without access to an employer-sponsored retirement plan) the opportunity to voluntarily save for retirement by investing in a newly developed Treasury retirement savings program. Treasury is moving rapidly to implement the program and has stated that it will be available this year.

As stated above, ACLI believes that collaboration between the state and private sector on solutions to enhance retirement savings using the many existing options is preferable to the costly and harmful proposal envisioned in Senate Bill 249.

Thank you for your consideration of our position in opposition to **Senate Bill 249 – An Act Promoting Retirement Savings**. Please contact John Larkin at 860-430-5928 or Kate Kiernan at 202-624-2463 with questions.

*The American Council of Life Insurers (ACLI) is a national trade association with approximately 300 member companies operating in the United States and abroad. 228 member companies serve Connecticut consumers. ACLI advocates in federal, Connecticut, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums in Connecticut. Learn more at [www.acli.com](http://www.acli.com).*