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Testimony on HB 5591: An Act Creating the Connecticut Retirement Security Program  
Labor & Public Employees Committee  
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Submitted By: Stephen Karp, LMSW

The National Association of Social Workers, CT Chapter is in support of HB 5591 as part of our support for legislation that promotes economic security for the residents of Connecticut.

When I first began my career I was an outreach worker for the City of New Haven, Elderly Services Division. My clients were all low to moderate income older adults independently living in the community. Some of them were able to live with a degree of economic comfort and for others it was a daily struggle to afford food, medicine, rent, clothes, etc. The dividing line between those who were managing economically and those who were not was a private pension. Those individuals and couples with a private pension generally were managing financially, those without a pension living just on Social Security, were with rare exception struggling economically. At age 22 I learned the importance of having a pension and have made that a deciding factor in my employment options.

Unfortunately, the concept of having a pension has changed over the years. Many employees with some pension program, including myself, are not in defined benefit plans that guarantee a certain level of payment for the lifetime of eligibility. Many employees if they are lucky enough to have an employer sponsored plan are in a 401 (k) that is only as good as the amount of funds that are invested in the plan. Employers are dropping defined benefit plans for a SEP or 401 (k) that does not offer a lifetime of security. Still these plans are much better than having no plan, yet less than half of Connecticut workers have any form of an employer sponsored plan. Thus as Connecticut's residents age and retire the state is facing a crisis of individuals who will not have the financial assets necessary for a secure retirement. The impact on the state's safety net and social services will be severe unless we act soon to offer a plan for those employees who lack access to an affordable employer sponsored pension plan.

Wages have stagnated in the last decade and the cost of living continues to rise faster than wages for most employees. The middle class is being squeezed tighter and tighter each year and for many people the ability to set money aside for retirement has become increasingly difficult. For those without a pension plan finding a safe investment plan without high fees is challenging. It is also difficult to know if your investments are being well placed, meanwhile simply putting savings into a bank account or certificate of deposit gives almost no return on the funds. A public retirement plan on the other hand will offer a secure way to save for retirement and offers each investor the added value of a large, pooled investment fund.

Leaving workers to retire on just Social Security and whatever funds have been saved in a bank account is a recipe for financial disaster. The economic strain that such a scenario offers will sink both the retiree and the state's social service & health care systems. The good news however is that a creative solution does exist and is being offered in HB 5591. We urge its adoption by the Labor Committee and full Legislature.