



# Connecticut

Labor Committee & Public Employees Committee  
Testimony of William T. Kosturko

In support of H.B. 5591 An Act Creating the Connecticut Retirement Security Program  
March 8, 2016

Good afternoon, Ladies and Gentlemen. My name is William T. Kosturko and I am pleased to testify this afternoon in favor of House Bill 5591, An Act Creating the Connecticut Retirement Security Program.

I am a resident of Killingworth, CT and a volunteer with AARP of Connecticut. I also serve as a member of the Connecticut Retirement Security Board (the "CRSB"). Prior to my retirement, I was an executive in the Connecticut banking industry for over 30 years. I am also a member of the Connecticut bar.

The retirement savings crisis in America is a real one. The Boston College Center for Retirement Research has estimated that there is a \$7 trillion gap between the funds necessary for a comfortable retirement for Americans and the retirement funds that they have saved. The average retirement savings for American households approaching retirement is a mere \$12,000. Nearly half of American families have no retirement savings at all and will depend on Social Security as the sole source of their retirement income.

These and many other statistics indicate that we have a true retirement planning crisis in America.

During my years in the banking industry, I witnessed how depository institutions work hard to induce Americans to save for retirement through vehicles such as IRAs. Despite these prodigious efforts, the existing financial services industry has been able to convince only a small percentage of those eligible to set up an IRA to actually do so. The vast majority of those eligible have not taken advantage of this very favorable federal and state tax incentive to prepare for retirement.

During the course of our work on the CRSB, it became apparent why it had been so difficult for banks to induce workers to walk into a branch and open an IRA account for retirement. Briefly, behavioral economists have found that Americans are 15 times more likely to save for retirement if they can do so at the workplace by having a portion of their earnings automatically deducted from their paycheck. That simple statistic is a major policy driver underlying the recommendations of the CRSB and H.B.5591.

By providing a mechanism for the over 550,000 people in Connecticut without a pension plan or a 401(k) plan to save for retirement at their workplace, the General Assembly will be doing not only those people but also all of the citizens of Connecticut a significant service. Clearly, the more our citizens save for retirement on their own - from their own earnings - the fewer tax dollars will be

needed in the future to support our citizens in retirement. By enacting this legislation, the General Assembly will be removing a future tax burden from the backs of our citizens, their children and their grandchildren.

The CRSB took its work seriously. We spent over 18 months studying the policy issues that would attend the passage of this bill. Our work was based on extensive research undertaken by third parties with demonstrated familiarity with the issues at hand. Others testifying today have addressed issues such as the legal implications of H.B. 5591, the CRSB's attempt to avoid financial liability to the State and the costs necessary to establish the program. I would like to address the great concern of all of the members of the CRSB to arrive at a recommendation that would impose a minimum amount of costs upon Connecticut's private employers who presently do not offer a pension plan or a 401(k) plan to their employees.

The CRSB was especially sensitive about placing additional burdens and mandates upon the state's private employers. It was clear from the very beginning of our deliberations that the board could not and would not recommend a mechanism where employers are required to contribute to a retirement savings plan for their employees. As a result, the CRSB's recommendations and the mechanism established by H.B. 5591 do not even permit private employers to make a contribution to the IRA accounts set up under the plan. The funds that would be saved for retirement will come solely from the earnings of covered employees, not from the employer and not from the state of Connecticut.

The CRSB was also careful to build on the existing process that employers use to deduct and forward payroll taxes from their employees' wages for state and federal tax purposes. Payroll deduction mechanisms for state and federal taxes have been with us for decades. Most Connecticut employers, including the vast majority of our smallest employers, have payroll deduction systems that can easily accommodate the forwarding of deducted wages envisioned by H.B. 5591.

In addition, the bill recognizes that there are certain circumstances which would make compliance with the proposed approach unnecessarily problematic for employers. One example is the exemption provided to employers from deducting from the wages of workers who are less than 19 years old. The bill would also provide discretion to the implementing board to establish rules that would address operational hardships faced by smaller employers in the state.

Finally, research undertaken by the CRSB and AARP Connecticut indicates that employers who presently do not offer a retirement plan to their employees were willing to consider a proposal such as that outlined in the bill. Many of the employers surveyed viewed the opportunity for their employees to save at the workplace as a positive benefit, not only to the employees but also to the employer as a retention tool.

For these reasons and the many others more cogently set forth by the co-chairs of the CRSB today, I would urge the General Assembly to enact H.B.5591. Doing so would mark a significant step in addressing the retirement savings crisis that confronts so many members of Connecticut's workforce and the implications that crisis has for all of Connecticut's taxpayers. Thank you for the opportunity to testify today.