



Testimony of State Treasurer Denise L. Nappier  
SUBMITTED TO THE LABOR AND PUBLIC EMPLOYEES COMMITTEE  
MARCH 8, 2016

Greetings, Senator Gomes, Representative Tercyak, and members of the Labor and Public Employees Committee. Thank you for the opportunity to provide testimony in support of Raised House Bill No. 5591, An Act Creating the Connecticut Retirement Security Program. This bill would create a quasi-public agency to implement a retirement savings program for private sector workers without access to workplace savings, implementing the recommendations of the Connecticut Retirement Security Board.

The bill presents an opportunity for Connecticut to demonstrate that we can begin to address retirement issues in a meaningful way.

I have had the honor to co-chair the Connecticut Retirement Security Board with Comptroller Kevin Lembo. The Board began its deliberations almost two years ago, in July 2014, and has met regularly since then. Our work has included rigorous analysis and robust discussion on the critical topic of retirement security. We have recommended legislation that, in my view, will serve our state's residents while not overburdening our business community.

Research nationally and in Connecticut demonstrates the need for a retirement security program. A Federal Reserve study published last May found that roughly half of all full-time workers in America are without a retirement plan, and nearly 75 percent of part-time workers lack one as well. Moreover, half of Americans have savings of less than \$10,000.

In Connecticut, according to the Schwartz Center for Economic Policy Analysis at The New School, between 2000 and 2010, employers offering a retirement plan declined from 66 percent to 59 percent. In other words, four out of 10 workers residing in Connecticut do not have access to a retirement plan at work. The program would likely serve, at a minimum, almost 600,000 Connecticut residents currently with no access to workplace-based retirement savings.

Anyone who works for 25 to 35 years, whether in the public or private sector, should be able to live in dignity in their retirement years. These statistics point out a widespread challenge across the country that could have a devastating impact for years to come.

Now, I am aware of the arguments not to pass this legislation at this time. Let me offer some counterarguments.

First, critics say that this program is just one more administrative responsibility that our businesses will struggle to shoulder. The retirement security board recognized the importance of not adding an undue burden on businesses. The legislation specifically allows a phase-in of the program. The plan is to enroll large businesses first; these businesses already have robust payroll systems in place that will allow implementation of this new program without additional expense. Subsequently, a portion of the fees generated would be used to help defray the costs incurred by small businesses to set up automatic payroll deduction – their only potential real cost associated with the retirement security program. In addition, businesses would have no obligation to provide a match.

A second argument is that employees have the ability to open a 401(k) of their own. Unlike a typical 401 (k), a state-run plan would include a payroll deduction option, which has been shown to be a powerful tool to boost savings behavior. In fact people are 15 times more likely to save if they can do it through payroll deduction. In addition, fees in the program would be lower than fees associated with existing retirement plans.

Third, we hear that government is already too big and this is just one more example of needless overreach. Well, if state government does not provide workers with the ability to save for retirement then eventually the burden of supporting them in retirement will fall back on the state.

After all is said and done, no single retirement savings vehicle can guarantee that investors will fully achieve retirement security. Nevertheless, the state sponsored retirement plan for private sector workers is the optimal plan for filling today's retirement savings void and increasing access to a low cost savings vehicle – so essential to building a retirement nest egg.

The Treasury is prepared to assist in the process of establishing a Connecticut Retirement Security Program and ensuring that the program will be a self-sustaining, solid option for hard working residents.

Thank you for the opportunity to comment in favor of House Bill 5591.