Testimony on House Bill 5591

Submitted by Suzanne Bates, Policy Director

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Good afternoon. My name is Suzanne Bates. I am the policy director for the Yankee Institute for Public Policy, a Connecticut-based free market think tank.

I am here to express our opposition to House Bill 5591, An Act Creating the Retirement Security Program.

This bill would create a huge new layer of bureaucracy in our state that would have as its responsibility the management of a new retirement program. This program would require many businesses to withhold 6 percent of their workers' pay, which would then be deposited into a state-managed retirement system.

This program, while well meaning, is the wrong way to help people save more for their retirement. The problems with this plan are numerous, including:

- The start-up costs are unclear at this time, as are the ongoing costs. It is likely that these costs would be substantial, and given the state's fiscal crisis it would be unwise to spend money on a new and untried program, and to significantly add to the size and cost of state government at this time.

- There is little choice for the consumer in this plan. The state would contract with only one investment firm, so consumers would be stuck in the retirement plan that the state chose for them.

- The state would be competing directly with private companies – in this case, financial planners who already work with Connecticut residents to help them make smart choices regarding saving and investing for the future. Especially given our current jobs situation, and the sluggish growth of our economy, the state should not be competing with the private sector in this way.

- Working men and women would be forced into the state-run retirement plan, which means they would see 6 percent of their paychecks disappear, unless they went through a process to opt-out. People should not be forced to opt-out – they should not have a portion of their paychecks withheld unless they give their approval.

Connecticut already runs several retirement funds. These funds are not doing well. Perhaps before we build new program, we should get our current programs in order.

Thank you.