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WRITTEN TESTIMONY
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Concerning
S.B. 54 AA Establishing a Retirement Savings Plan for Low-Income Private Sector Workers

February 26, 2013

Senator Osten, Representative Tercyak, Senator Markley, Representative Smith and Members of the Committee:

Thank you for the opportunity to express my support for S.B. 54, *An Act Establishing a Retirement Savings Plan for Low-Income Private Sector Workers*.

This legislation would provide an opportunity to determine the feasibility and demand for a public retirement plan in our state. The first step would be to create a task force to analyze the potential administrative burden and risks to the state of various program designs, and develop tools and strategies to ensure a more secure income for our state's aging population, no matter the income level.

The nationwide gap between what Americans will need to retire – and what they actually have – is an astonishing \$6.6 trillion, according to the Center for Retirement Research at Boston College. The U.S. Census Bureau pegs Connecticut as having the seventh oldest population in the nation. According to AARP, Social Security is the only source of income for one out of four Connecticut residents aged 65 and over. Beyond Social Security, about 60 percent of U.S. workers have less than \$25,000 in savings and investments, according to a recent survey by the Employee Benefit Research Institute. Women are particularly vulnerable to falling into poverty in their older years as Social Security is almost the only source of income for 40% of older women in Connecticut.

For those who are working, the Employee Benefit Research Institute (EBRI) reports that five percent of Connecticut workers have been dropped from participating in any type of retirement plan in the past ten years. Further, the Current Population Survey reports

Connecticut saw a 7%-point decline in employer sponsorship of retirement plans between 2000 and 2010.

A public retirement plan has the potential to begin to reverse the broader trend of eroding retirement savings options for residents of the state of Connecticut. By pooling the investments of all participants, the plan would work much like pension plans do today. In general, public pension plans outperform 401(k) plans and individual retirement accounts because they are able to pool workers of a variety of ages, diversify the portfolio over longer periods of time, use the most talented professional managers that are not available for retail accounts and leverage lower fees. Some estimates show that the costs for public pensions are over 45 percent lower than those of individual 401 (k) plans. Because these plans would be financed by workers and their employers, taxpayers would not bear any of the costs.

With the state's aging population on the rise, it would be in the best interest of our state to pro-actively assess options to enable families to save for retirement, and encourage the development of a new retirement savings option that is secure, portable, and efficient.

Thank you for your consideration of this important initiative, and be assured of the active participation of the Office of the State Comptroller should S.B. 54 be signed into law.