



STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

**Written Testimony
Comptroller Kevin Lembo
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**Concerning
SB 249 An Act Promoting Retirement Savings**

Senator Holder-Winfield, Representative Tercyak, Senator Markley, Representative Smith, and Members of the Committee:

Thank you for the opportunity to provide testimony on *Senate Bill 249, An Act Promoting Retirement Savings*.

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. That same Center also reports a significant increase in the percentage of American workers aged 30 and older who are “at risk” to have insufficient assets for retirement when they reach 65: today that number is 53%; in 2001, 38%; and in 1983, 31%.

Here in Connecticut, AARP reports 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.

According to a 2013 study by the Schwartz Center for Economic Policy Analysis at the New School in New York, half of Connecticut’s workers are not participating in an employer sponsored plans. 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, that is carefully studied and accurately designed, 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 manager 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.

This bill requires significant administrative responsibilities of my office, which will require an additional appropriation to satisfy them.

With the state's aging population on the rise, it would be in the best interest of our state to pro-actively provide 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 effort.