



STATE OF CONNECTICUT

RETIREMENT SECURITY BOARD

CO-CHAIRS: STATE COMPTROLLER KEVIN LEMBO & STATE TREASURER DENISE L. NAPIER

FOR IMMEDIATE RELEASE

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CRSB COMPLETES FEASIBILITY STUDY OF PUBLIC RETIREMENT PLAN FOR PRIVATE-SECTOR EMPLOYEES; REPORTS FINDINGS TO LEGISLATURE AND GOVERNOR

CT IS FIRST STATE IN THE NATION TO COMPLETE MARKET FEASIBILITY STUDY

HARTFORD – The Connecticut Retirement Security Board (CRSB) today submitted a report to the General Assembly that says a public retirement program for private-sector employees is financially feasible under a range of market scenarios and plan designs.

Connecticut is the first state in the nation to complete a market feasibility study of such a plan to address retirement financial insecurity.

The legislature established the CRSB in 2014 – co-chaired by State Comptroller Kevin Lembo and State Treasurer Denise L. Nappier – to submit evidence-based recommendations on the creation of a retirement program for private-sector workers in Connecticut currently without access to workplace savings.

The board was required to report its findings by Jan. 1 and is now working on legislation that would implement the retirement program.

“This report – following substantial market research and broad input from the public, academics and business community – confirms that there is a feasible option to help address Connecticut’s growing retirement gap,” Comptroller Lembo said. “There is an entire generation of employees, many of them lifelong hard-working middle class people, who are headed to retirement financially unequipped, in part due to lack of access to a workplace-based retirement savings option. This is a problem, not only for those individuals and families who are financially forced to delay retirement indefinitely, but for our entire state and economy.”

The report released today details a proposed program account structure, governance and enforcement elements, a program model and the financial feasibility of such a program.

The program would likely serve, at a minimum, almost 600,000 Connecticut residents currently with no access to workplace-based retirement savings. According to Connecticut-specific data from 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.



In developing a program model, the board focused on the policy goals of increasing retirement security through a low-cost prefunded retirement savings program that requires a minimal amount of financial sophistication, according to the report.

The proposed program would not be mandatory for businesses that currently already offer a 401K plan or other workplace-based retirement savings option to all employees; it would not require that participating employers contribute to the program (only that they provide a payroll deduction mechanism for employees to contribute); and employee participation in the savings would be voluntary (they would be automatically enrolled, but can opt out if they prefer).

The report’s highlights include:

- The financial analysis concluded that the program would need approximately \$1 billion in assets to become financially self-sustaining. At a 6-percent default contribution rate and auto-enrollment (with an opt-out provision), the program should reach that self-sustaining threshold at the end of year two – and repay any estimated upfront costs and ongoing annual expenses between years three and five.
- Individual Retirement Accounts are feasible and suitable legal structures for the program, particularly with regard to account portability. The board recommends offering both traditional and Roth IRAs.
- The board recommends the legislature create an implementing board that oversees an independent entity responsible for managing the program – one that operates “with a maximum of transparency and reports to the legislature annually.”
- The board recommends that the program should be made available to all employees, including part-time employees, at the Connecticut location of a business or nonprofit organization that offers enrollment in the program, provided the employee has worked at that entity for at least 120 days.
- Individuals participating in the retirement program should have the ability to see their investments, performance, account activity and balances through website access.
- The market and financial feasibility study considered a broad range of market conditions and determined that a “strawman” program is financially feasible in most cases and meets all criteria identified for financial viability, including self-funding, attractive economics for third-party service providers, and reasonable fees for program participants (expected to be at or below 1 percent).

To read the full report, visit: http://www.osc.ct.gov/crsb/docs/finalreport/CRSB_January_1_Report.pdf

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