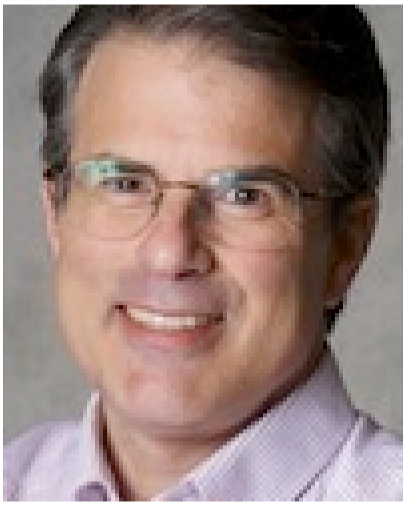
In Hartford, a Public IRA Proposal

By Kerry Pechter *Thu, Mar 13, 2014*

RIJ traveled to Hartford on Tuesday for a hearing on a bill that would require most Connecticut employers to offer a retirement plan and would create a default public retirement plan option. Brian Graff of ASPPA and Chad Parks of theonline401k were there too.



In the cafeteria of the Legislative Office Building in Hartford, Conn., Tuesday, Brian Graff, CEO of the American Society of Pension Professionals and Actuaries, and Chad Parks, CEO of theonline401k, were waiting for a meeting of the joint Committee on Labor & Public Employees to begin.

Both men were set to testify that afternoon in favor of "Senate Bill 249," which, as currently drafted, would require Connecticut employers with five or more workers to—if they did not already do so—enable their employees to defer part of their pay into an individual retirement account.

The bill, modeled on a law proposed in California, would do what the Obama administration's "MyRA" plan also hopes to do—expand access to a tax-deferred workplace savings plan to the many full-time workers who don't currently have it.

Graff, who is based in Arlington, Va., seemed upbeat, as a seatbelt manufacturer might on a day when Congress was about to require every carmaker to install them. By requiring access to a retirement plan, S.B. 249 could potentially create a flood of new business in Connecticut for the third-party plan administrators and others who belong to Graff's trade group.

But wasn't Graff concerned that the bill would default employee contributions to be defaulted into a new trust fund, overseen by the Connecticut state treasurer and collectively managed and insured by still-to-be-chosen vendors? Wouldn't the availability of that fund crowd out the private-sector plan providers whom Graff represented?

No, Graff said. The private providers would offer much better plans than the state plan. "I guarantee that they will kick its ass," he said, in his characteristic "and you can print that!" manner. He brushed aside doubts that private providers would suddenly rush to serve a retirement market segment they'd never cultivated before.

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At 2 p.m., the hearing began in a shallow, brightly lit amphitheater nearly filled with legislators, lobbyists, aides, witnesses, cameramen and observers. But, instead of briskly taking up S.B. 249, the committee, or rather, the few committee members in attendance, waded leisurely into their work. I had not known about the Labor & Public Employees Committee's quaint tradition of entertaining comments on several bills at the same meeting, of hearing witnesses in the order in which they happen to have signed up, rather than grouping them by bill, and of taking testimony from fellow legislators before taking it from the public.

This tradition meant that the meeting would likely drag on (and it did, evidently) until about 10 o'clock Tuesday night. Parks and Graff were the 21st and 22nd public witnesses to be called. Before them, more than a dozen legislators would get their chance to talk, and several were there to jawbone other bills than S.B. 249. Around 4:30 p.m., Graff was in the lobby outside the hearing room. "This is mind-numbing," he said. "I've testified in statehouses all over the country. I've never seen anything like this."

Somewhere toward 5 p.m., the sponsor of S.B. 249, House Majority Leader Joe Aresimowicz (D-Berlin/Southington) lowered himself into the witness chair and leaned toward the microphone on the desk in front of him. Naively, I expected vigorous banter about the details of the low-fee IRA fund that the bill would establish.

Instead, Aresimowicz spoke, as legislators often do, about the crisis—in this case, the retirement savings crisis—that the bill would address. And instead of being fed open questions by the Democratic representative who chaired the hearing, Peter Tercyak, Aresimowciz was greeted with two blunt statements from Republican members of the committee. One said that his business-owner constituents think S.B. 249 is a terrible idea. The other said that Connecticut hosts a large and capable financial services industry and has no need for a public retirement plan option. Aresimowicz was thanked and excused after only a few minutes.

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A handful of state legislatures have shown interest in a state-sponsored defined contribution retirement plan like the one proposed in Connecticut. Larry Dorman, a public affairs coordinator for Council 4 of the American Federation of State, County and Municipal Employers, AFL-CIO, told *RIJ* on Tuesday that the states need to move ahead with such initiatives. Groups like his don't believe that the Obama Administration's auto-IRA, the MyRA plan, which the President revealed in his January 28 State of the Union speech, will ever become law, given the political gridlock in Washington.

California was the first state to consider a public retirement option, and its initiative is currently being studied. S.B. 249 is modeled on the California proposal, Aresimowicz said at a press conference on Tuesday. One of the comments made by Republicans on Tuesday was that Connecticut has no need to rush forward with its own bill until it sees what happens in California.

In addition to Graff and Parks, representatives of several advocacy groups as well as several small business owners were scheduled to speak in favor of S.B. 249 on Tuesday. Karen Friedman, policy director of the Pension Rights Center was there, along with officers from AARP and the Connecticut Alliance for Retired Americans. Ken Floryan of West Hartford, a retired investment manager for Babson Capital Management, also supported the bill.

Two representatives of the Connecticut Business & Industry Association, as well as two NAIFA members, Catherine Ernsky of Charter Oak Financial, and John Sayour, a New York Life/Eagle Securities adviser, and Pat McCabe of the Securities Industry and Financial Markets Association were scheduled to speak against it before the evening was through. Faced with a four-hour drive back to Pennsylvania, I couldn’t stay to hear any of them, unfortunately. But I talked to one of them later.

“I told the committee, ‘If this bill passes, you will line my pockets with money,'” one of the private-sector financial professionals said, referring to the bill’s coverage mandate. “You would think that I’d be for it, but I’m not. They’re going to create a whole bureaucracy, and for what? They [the supporters of the bill] don’t understand the unintended consequences of what they’re trying to do.” This person insisted that people of modest means aren’t saving because they can’t afford to, not because the private sector has neglected low and middle-income employees or small employers. “In any case, it’s too late to help people in their 50s. This is for people in their 20s and 30s.”

Given the Democratic majorities in both the Connecticut Senate and House, S.B. 249 has a good chance of passing, said Matthew Brokman, a political/legislative representative for AFSCME Council 4. “We expect this to be voted out of the Labor & Public Employees committee next week. Then it goes to a second committee, then to the full Senate for a vote, then to the House.” A similar bill would have passed last year, he said, but the session expired before it came up for a vote. One observer suggested that, in an election year, Democratic lawmakers are eager to do something nice for organized labor. As currently written, S.B. 249 would take effect July 1 of this year.