
Public/private pension concept gains foothold in California

By Editor Test Tue, May 29, 2012

The California Senate is considering a bill that would open the state's pension to small-business employees who don't have access to an employer-sponsored plan.

The Secure Choice Pension (SCP), a program that would allow employees of private small businesses to participate in their state's public pension plan—and perhaps create competition for 401(k) providers—is the subject of a new bill in the California legislature.

The SCP is a creation of the Washington, D.C.-based National Conference on Public Employee Retirement Systems (NCPERS), the largest trade group for public sector pension plans. Its executive director is attorney Hank Kim. California state senator Kevin de Leon (D-Los Angeles) has used NCPERS' SCP proposal as the model for his Retirement Savings Act (SB1234). The Senate Committee on Public Employment and Retirement and the Senate Labor Committee recently approved it.

The bill proposes a “new retirement plan that would be immune to stock market fluctuations and sudden economic downturns and would provide their employees with a guaranteed monthly pension benefit for life after they stop working,” according to an NCPERS release.

NCPERS unveiled the SCP in late 2011 (see [RIJ, Sept. 21, 2011](#)) in response to the general shortage of retirement plan availability in small businesses. Under the proposal, each state would establish its own professionally managed SCP as an adjunct to the state pension plan, allowing small business employees and employers to contribute. The state pensions' economies of scale and professional management would, NCPERS has argued, produce higher overall returns at a lower cost than the typical small-business 401(k) plan could.

A survey of 505 owners of small (2 to 49 employees) businesses in California conducted in late April for NCPERS by Lake Research Partners showed support for the plan. According to the survey:

- 53% of California small business owners are interested in the SCP for their own employees, while 71% support the concept.
- SCP is supported by 70% of small business owners who already offer a retirement plan and 73% of those who do not offer retirement benefits.
- 78% of Democrats and 70% of Republicans favor the SCP idea. Among Republican small business owners who currently do not offer retirement benefits, 77% support it.
- 76% of men under age 50 and 73% of men age 50 and over favor the concept, as do 71% of women under 50 and 59% of women age 50 and over.
- 73% of owners of minority-owned businesses favor the SCP, as do 64% of owners of women-owned businesses.
- In the San Francisco Bay area, 68% of small business owners favor the plan; in Northern California (excluding the Bay area), 81% support it. In Los Angeles County, 64% favor the plan, as do 75% in the rest of Southern California.

- While a majority of small business owners believe their employees need retirement benefits, 60% say that offering a currently available retirement plan is too expensive.

NCPERS' full proposal for the Secure Choice Pension is available at www.retirementsecurityforall.org. Its California Small Business Survey findings are available at www.ncpers.org.

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