



Connecticut General Assembly
DEMOCRATS

For Immediate Release:
June 16, 2016

Contact: Liz Connelly
860-240-1465 (Work)
860-573-7424 (Mobile)

Addressing Connecticut's Retirement Savings Crisis

House Majority Leader Aresimowicz & Senate President Looney, Senior Citizens, AARP and Advocates Hail Groundbreaking Retirement Security Law

Berlin, CT - House Majority Leader Joe Aresimowicz (D-Berlin), Senate President Martin M. Looney (D-New Haven), and Sen. Terry Gerratana (D-New Britain, Berlin) today joined senior citizens, elected officials, and advocates at the Berlin Senior Center to celebrate the passage of legislation creating a retirement savings program for the estimated 600,000 Connecticut residents who do not have a retirement savings plan available to them through their employer.

The legislation creates a program in which employees would make voluntary contributions into a professionally-managed retirement fund. All workers will be provided the chance to enroll in a retirement savings program. Employers would not bear any fiduciary responsibility and would not be required to pay administrative fees. The program is designed to be self-sustaining and low-risk.

“There are currently almost 600,000 workers in Connecticut who do not have access to an employer-sponsored retirement plan, which is why we made it a priority to push forward a Connecticut-based solution to the retirement savings crisis,” **said Rep. Aresimowicz**. “By providing a retirement savings option to those 600,000 so they have the necessary funds in the bank when they can no longer work, we will help them enjoy their senior years, while also saving money for future taxpayers.”

“Far too many Connecticut residents are approaching retirement without adequate savings. While Social Security has lifted many senior citizens out of abject poverty, it does not in fact provide a decent living for those with no other source of retirement income,” **said Sen. Looney**. “This problem will become one of extraordinary urgency as more and more baby boomers reach retirement age.”

“Many Connecticut citizens whose employers do not offer retirement plans are moderate income workers who are most in need of income beyond Social Security and, in general, workers of moderate income do not have the option of setting aside significant amounts in personal retirement savings since their earnings and ordinary expenses barely balance. However, a convenient payroll deduction programs will greatly increase the number of people who save systematically for retirement,” **said Looney**.

“This legislation will help thousands of Connecticut residents remain healthy and comfortable throughout their retirement by allowing them access to a retirement savings program,” said **Sen. Gerrata**. “Many Connecticut residents have worked throughout their life, but didn't have access to a retirement program through their employer. By passing this new program we have filled that gap, helping all Connecticut residents save for retirement.”

“We applaud Connecticut for creating a plan that provides 600,000 workers without a workplace retirement savings plan an opportunity to build a secure financial future for their families,” **said Nora Duncan, AARP Connecticut state director**. “The law adds no additional cost to taxpayers and will lead to less reliance on state-funded social safety net services in the future.”

The law was the product of the Connecticut Retirement Security Board (CRSB). The CRSB, created in 2014 by the Connecticut General Assembly, was charged with providing legislators with recommendations about the efficacy of a workplace savings plan for workers in the state without access to such a program. They submitted its evidence-based recommendations to the Legislature, which were overwhelmingly in favor of creating a voluntary retirement savings program for private sector workers in the state who are currently without access to a workplace savings plan.

The new law will include the formation of a quasi-public/private Connecticut Retirement Security Authority starting on January 1, 2017. The authority will have oversight of the Connecticut retirement security plan which will begin operation in 2018. The plan will require all Connecticut businesses of five or more employees with no pension or 401(k) plan option to participate in the retirement security program.

It will be voluntary for employees, who will be automatically enrolled but have the ability to opt out, and employers will not be required to match contributions. The default employee contribution rate for people who do not opt out will be 3 percent of their pay, which will go into a private Roth IRA account that they select from the available vendors. Employees will be able to increase or decrease the contribution rate. The vendor/vendors for the Roth IRA's will be chosen by an RFP conducted by the authority. Fees charged to individuals by the vendor/vendors selected are capped at 75 basis points. The authority will have the option in the future add a traditional IRA plan to the employee choices. The retirement security program will be funded by the fees from contributions of the employees participating

In the U.S., there is a \$7 trillion retirement savings deficit among older Americans according to data from The Center for Retirement Research at Boston College. Further, AARP Public

Policy Institute studies show that people are 15 times more likely to save for retirement if they can do so through a payroll deduction program at work.