

NEWS RELEASE



American Society of Pension Professionals & Actuaries

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Contact: Chris Robichaux
crobichaux@asppa.org
P 703-516-9300

ASPPA Opposes Connecticut 401(k) Legislation

Arlington, Va.—The American Society of Pension Professionals & Actuaries (ASPPA) and the Council of Independent 401(k) Recordkeepers (CIKR) expressed its opposition to a bill in the Connecticut Senate, S.B. 971, which would allow the state of Connecticut to sponsor a 401(k) plan for small businesses. The Small Business Council of America (SBCA) joined ASPPA and CIKR in opposition to the legislation. ASPPA, CIKR and SBCA opposed similar legislation last year in Connecticut, which the legislature tabled.

[Brian Graff](#), ASPPA executive director and chief executive officer, said that while the legislation may be well intentioned, it is a very bad idea. “We oppose S.B. 971 because the bill is not likely to expand retirement plan coverage for employees of small businesses, it may in fact do more harm than good,” Graff said.

In [his testimony](#) to the Senate Commerce Committee, Graff noted that like Connecticut, a number of other states have examined whether or not state administered 401(k) plans are a viable option to increase retirement coverage of their citizens – and every state has rejected such an approach. Graff highlighted the recent Washington state report rejecting the idea of state administration of a 401(k) plan for employees of small businesses and instead recommending private sector administration of individual retirement accounts (IRAs), or a payroll deduction IRAs. The reasons cited by the state of Washington for avoiding state 401(k) programs included liability and cost of ERISA compliance. Washington state officials estimated an initial start-up cost for the program of \$3.4 million in the first two years – and then ongoing costs of \$2 million per year.

ASPPA, CIKR, and SBCA support proposals to expand retirement plan coverage of employees at small businesses. As an example, Graff described support of a federal tax credit, enacted in 2001, that provides small businesses with up to a \$500 annual tax credit for the start-up costs of a new small-business retirement plan.

In his testimony, Graff listed a number of reasons why the groups he represents believe a state-sponsored 401(k) plan managed by Connecticut would be a bad idea. For example, Graff stated that these plans would be subject to the Employee Retirement Income Security Act of 1974 (ERISA), which governs the administration and maintenance of all employer-sponsored retirement plans. While ERISA does not apply to plans for state employees, it would apply to 401(k) plans maintained by the state as proposed in SB 971. Due to the specific compliance requirements on retirement plans, the requirements under ERISA would be extremely complicated, costly, and time consuming.

Graff also noted that low-cost retirement plans for Connecticut businesses already exist in the market place right now. For example, Congress created Savings Incentive Match Plan for Employees IRAs, which are exempt from ERISA and thus have minimal administrative costs, for small employers who do not want the cost or responsibility of a full-blown 401(k) plan. If a small-business employer does not want to establish a retirement plan, it is generally because either the employer is not familiar with the available options, or the employer does not want the commitment of contributing to the plan for employees each year. The Connecticut legislation does not address either problem.

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ASPPA is a national organization of more than 6,500 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members are retirement professionals of all disciplines including consultants, administrators, actuaries, accountants, and attorneys. The broad-based membership gives it unusual insight into current practical problems with the Employee Retirement Income Security Act and qualified retirement plans with a particular focus on the issues faced by small- to medium-sized employers. ASPPA membership is diverse and united by a common dedication to the private retirement plan system.

CIKR is a national organization of 401(k) plan service providers. CIKR members are unique in that they are primarily in the business of providing retirement plan services as compared to financial services companies who primarily are in the business of selling investments. The members of CIKR offer plan sponsors and participants a wide variety of investment options from various financial services companies without an inherent conflict of interest. By focusing their businesses on efficient retirement plan operations and innovative plan sponsor and participant services, CIKR members are a significant and important segment of the retirement-plan service provider marketplace. Collectively, the members of CIKR provide services to approximately 68,000 plans covering 2.8 million participants and holding in excess of \$120 billion in assets.

4245 North Fairfax Drive, Suite 750 · Arlington, VA 22203-1648

P. 703.516.9300 · F. 703.516.9308 · www.asppa.org