

NEWS RELEASE



American Society of Pension Professionals & Actuaries / Council of Independent 401(k) Recordkeepers

FOR IMMEDIATE RELEASE

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State-Run 401(k) Plans Proposed in Connecticut: Bad Idea

Arlington, Va.—The American Society of Pension Professionals & Actuaries (ASPPA) and the Council of Independent 401(k) Recordkeepers (CIKR) oppose a bill working its way through the Connecticut Senate, S.B. 971, which would allow the state to sponsor a 401(k) plan for small businesses. Other states already rejected the idea of state-sponsored 401(k) plans due to the significant long-term costs to establish and maintain such programs, state liability, and complicated compliance, reporting, and disclosure requirements that are required by federal law.

By creating a state-operated 401(k) plan, Connecticut would be competing with local businesses that currently provide such plans to small businesses throughout the state. [Brian Graff](#), ASPPA executive director and chief executive officer, said low-cost retirement plans for Connecticut small businesses already exist in the market place. “Connecticut should not compete with its own private businesses unless there is a market failure and that is clearly not the case,” Graff said.

In [testimony](#) to the Connecticut Senate Commerce Committee in February, Graff noted that a state-sponsored 401(k) plan 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. Complying with the testing and reporting requirements of ERISA would be extremely complicated, costly, and time-consuming.

Graff also noted that Congress created the Savings Incentive Match Plan for Employees (SIMPLE) individual retirement account (IRA) plans, which are exempt from ERISA and have minimal administrative costs, for small employers who do not want the cost or responsibility of a full-blown 401(k) plan. Accordingly, a small-business employer can pay \$10 per employee to set up a [SIMPLE IRA](#) plan and \$10 per-person per-year for administration, for a total of \$100 a year for a business with 10 employees.

ASPPA supports proposals to expand retirement plan coverage of employees at small businesses through educating employers about existing retirement options currently offered by private businesses in Connecticut. ASPPA also supports 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.

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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 large and broad-based ASPPA 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 independent members of CIKR offer plan sponsors and participants offer 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.

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