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NEW YORK CITY COMMITTEE ON CIVIL SERVICE AND LABOR
HEARING ON
INT. NO. 692 – A LOCAL LAW IN RELATION TO THE ESTABLISHMENT OF A
RETIREMENT SECURITY REVIEW BOARD

June 23, 2015

The Securities Industry and Financial Markets Association (SIFMA)¹ is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving retail clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. In New York City, the securities industry employs 167,100 people (accounting for 1 in 9 of all New York City jobs) and many of our members work daily to provide a wide range of extensive services to those saving for retirement, including advisory services and investment opportunities. We are writing today to express our interest in the retirement security study proposed in Int. 692, and offer our wealth of expertise on in the area of retirement planning.

There can be no doubt that there is a savings challenge in this country. Individuals need to save more for retirement and need to better understand the importance of early savings, as well as the benefits of compounding interest, diversification, and not accessing retirement savings accounts for other purposes.

We applaud Public Advocate James for her leadership on this issue and genuinely hope to work closely with all interested parties in working to develop a proposal that will rise to meet the retirement challenge in front of us today.

As the Council considers its options to act in this space, we encourage you to consider the following: (1) The extensive provider market and retirement products already in place in New York City; (2) the release of the Federal MyRA program; (3) The cost and liabilities any plan might place on the City and/or its businesses.

1. Current Provider Market in New York

The market for retirement savings products in New York is robust and highly competitive, with a wide range of products and services offered by a variety of New York City residents, including brokers, mutual funds, insurance companies, banks and credit unions.

With more than 160,000 individuals in New York City working directly in the securities industry, our member firms provide numerous fairly priced retirement savings options. These options include 401(k), 403(b), 401(a), and 457(b) plans as well as SIMPLE, SEP and traditional and Roth IRAs.

As such, we heartily recommend that the City Council investigate options that harness the strength of the City's financial services industry.

¹ For more information, visit <http://www.sifma.org>.

2. MyRA.

In December 2014, after an extensive research and development process, President Obama and the Department of the Treasury launched a new federal retirement program specifically designed for those who are not offered a retirement plan at work, as well as others who want to jump start their retirement savings. The MyRA program (www.myRA.treasury.gov) is a simple, safe, voluntary way for employees with access to direct deposit to save for retirement. Registration takes only 15 minutes and eligible employees can begin saving right away.

Specifically, the MyRA program provides all the tax benefits of a Roth IRA, is fully portable, requires no employer contribution, is provided with no fees to the saver, and fully guarantees all employee contributions. We would encourage you to fully evaluate the potential of this new federal program and consider the role it may play in any retirement savings solution.

3. Costs and Liabilities

We would also urge the Council to be mindful of the costs and liabilities (to the City, its businesses, and its potential retirement savers) of any proposed retirement solution. A number of States throughout the country have already studied certain proposed solutions, and the costs can differ greatly. For example, Washington State estimates that it will cost around \$500k to establish a retirement marketplace similar to the new health exchanges, but a full public sector plan could cost up to \$20M or more in two-year start-up costs.

Similarly, a number of State proposals have raised concerns about the applicability of the Employee Retirement Income Security Act of 1974 (ERISA). This Act, which ensures strong protections for retirement savers in all private-sector offerings (and is particularly important in protecting traditionally vulnerable groups, such as women and children), also carries a number of compliance obligations. The applicability of ERISA has been a heavily contested issue surrounding most state plans, as it has far-reaching consequences that could well determine the future success of any retirement savings initiative. In fact, the Washington State Marketplace is the only proposal that would provide the full range of ERISA protections to all enrollees, while simultaneously insulating the State, taxpayers, and the business community from ERISA's liabilities and obligations.

We look forward to the opportunity to work with the City Council, Public Advocate James, and any other interested parties in developing an initiative to confront the City's retirement savings challenge head-on. If there is any way we can be of service, please contact SIFMA's local counsel, Mike Keogh at 212-431-4748 or Keogh@boltonstjohns.com, or Nancy Lancia of SIFMA at 212-313-1233 or nlancia@sifma.org.