



March 24, 2015

The Honorable Angela Williams, Chair
House Business Affairs and Labor Committee
Colorado State Capitol
200 East Colfax
Denver, CO 80203

RE: HB 1235 – Concerning the Creation of the Colorado Retirement Security Task Force

Dear Chair Williams:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ is a national trade association which brings together the shared interests of hundreds of broker-dealers, banks and asset managers. Many of our members have a strong presence in Colorado, where they provide services to investors and retirement plans, including advisory services, investment opportunities and plan recordkeeping.

We appreciate the opportunity to provide feedback on HB 1235, legislation that would create a Colorado Retirement Security Task Force. We applaud the bill sponsors for recognizing that there is a retirement savings challenge in this country and for wanting to identify the roots of the problem. We, however, have serious concerns with the legislation focusing the remedy on a state run retirement savings plan for private sector workers.

As you analyze the legislation, we encourage you to consider the following:

- (1) The market for retirement savings alternatives in Colorado is robust and highly competitive. There are currently 19,191 individuals in Colorado working in the securities industry and a total of 107,681 people in the State employed by entities falling within the broader category of finance and insurance. These industries all provide numerous fairly priced retirement savings options, including 401(k), 403(b), 401(a), and 457(b) plans, as well as SIMPLE, SEP and traditional and Roth IRAs. Where an employer does not provide a plan, IRAs are readily available on-line and at most financial institutions in the State. Before you consider developing a state run retirement savings structure that competes with the private marketplace, we would encourage you to explore whether education about the many existing options would address the issue at substantially less cost.
- (2) Since similar legislation was considered in Colorado last year, the federal government has launched a new retirement program known as myRA (www.myRA.treasury.gov). It is a simple, safe, voluntary way for employees with access to direct deposit to save for retirement. The program provides all the tax benefits of a Roth IRA, is fully portable, requires no employer contribution, and is provided with no fees to the saver. We would encourage you, as part of your study on barriers and accessibility, to fully evaluate the potential of this new federal program before considering developing an expensive state alternative.

¹ SIFMA 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. SIFMA has offices in both New York and Washington, D.C. For more information, visit <http://www.sifma.org>.

- (3) HB 1235 does appropriately recognize that there are factors other than access that may be keeping people from saving. It is important to fully understand these factors before developing a solution. Any study should not limit itself to the potential barriers expressly identified in the bill. One obvious barrier which is not listed is competing financial needs. There are certainly others as well.
- (4) The legislation as drafted seems to pre-ordain or at least strongly favor a specific outcome – that being the creation of a new, state run retirement savings plan. We believe that any Task Force should first determine the factors affecting lack of retirement savings and then, based on the results, suggest an array of options that are tailored to address the problem. If factors other than access are critical if not primary issues, then creating another retirement option is not the appropriate solution.
- (5) The Task Force, when exploring solutions, should be required to take potential cost and benefits into account. Obviously the costs and benefits will depend on the type of plan that is devised. That said, a few states have estimated the cost of establishing an IRA type program. Illinois passed legislation in late 2014 that would permit the creation of a state run retirement savings option. The program, which has yet to be funded, has a fiscal note of \$15 to \$20 million in the first two years. Connecticut considered but did not pass a bill in 2014 which had a price tag of \$66.1 million -\$165.2 million in lost revenue annually. The legislature may ultimately decide that any such costs are warranted, but it needs to be able to factor such costs along with any benefits into its decisionmaking.
- (6) The legislature and any Task Force should also seriously consider the liability implications of a state sponsored retirement savings plan. We firmly believe that such a plan would be subject to federal regulation under ERISA, creating substantial compliance costs and financial liability for the state and for participating employers. Several states are currently studying this issue. Colorado may want to consider waiting on the results of their analysis, including DOL determinations as to ERISA applicability, before committing to a state run plan.
- (7) Finally, we would strongly encourage you to direct the Task Force to ensure that any proposed remedy does not encourage employers with existing plans to switch over to a state provided alternative. Colorado is looking to enhance not reduce retirement savings. Offering options that encourage employers that are already providing strong retirement plans to re-evaluate their offerings does not satisfy that objective.

We believe there is a retirement savings problem but think that a study which limits itself to a single possible solution is not the answer. We appreciate your willingness to consider our concerns. Please do not hesitate to contact me at 212-313-1311 with any questions.

Sincerely,



Kim Chamberlain
Managing Director and Associate General Counsel
State Government Affairs

CC: All Members, House Business Affairs and Labor Committee