



December 10, 2015

The Honorable Stephen L. Nass
Committee on Labor and Government Reform
State Capitol
PO Box 7782
Madison, WI 53707

RE: SB 45 – Creation of a Private Retirement Security Plan and Making Appropriations

Dear Chair Nass:

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 Wisconsin, 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 SB 45, which would create a Wisconsin Retirement Security Board (RSB) to conduct a feasibility study on, hold at least four public hearings across the state regarding, and finally establish and manage a private retirement security plan for state residents. We agree that there is a retirement savings challenge in this country; however, we have serious concerns with the legislation focusing on a state run retirement savings plan for private sector workers as its exclusive remedy.

In addition to the costs of an 18-month state-wide study with a public hearing circuit – a similar California proposal raised \$1 million to fund such a study, and the fiscal note attached to another similar proposal in Connecticut estimated that the cost of the feasibility study alone would be \$1 - \$2 million – the RSB would have to contend with a changing federal landscape.

Earlier this year, in recognizing that states face significant legal hurdles in establishing retirement plans similar to those proposed by SB 45, President Obama ordered the Department of Labor to take certain measures to lower those hurdles. Subsequently, DOL issued a proposed rule that would reportedly provide states with a limited “safe harbor” from ERISA for certain state run retirement savings plans. SIFMA is studying the proposal, expects to submit comments by the January 19, 2016 deadline, and would encourage Wisconsin to wait for the final rule, which may drastically change the direction of the proposed study. Department of Labor Secretary Perez himself seems to recognize the shortcomings of the draft proposal, stating publicly that “The safe harbor is not an air-tight guarantee... The federal courts are the ultimate arbiter on the question of whether state retirement plans are legal or not.”²

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>.

² Bloomberg BNA, *Daily Tax Report* (Nov 17 2015), available at: http://news.bna.com/dtln/display/batch_print_display.adp

Further, SIFMA strongly urges you to consider the following when contemplating the establishment of a state run retirement plan for private sector workers in the state of Wisconsin:

- (1) **Current Markets** - The market for retirement savings alternatives in Wisconsin is already robust and highly competitive. There are more than 10,500 individuals in Wisconsin working in the securities industry and more than 126,700 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 lower cost.
- (2) **New Federal myRA** – On November 4, 2015, after an almost year long pilot program, the federal government launched a new retirement program known as myRA (www.myRA.gov). It is a simple, safe, affordable, and voluntary way for employees to save for retirement. The program provides all the tax benefits of a Roth IRA, is fully portable, requires no employer contribution, takes less than ten minutes to establish, and is provided at no cost to the saver. In the words of U.S. Treasury Secretary Jacob Lew, “myRA has no fees, no risk of losing money and no minimum balance or contribution requirements. To make saving easier than ever, you can now put savings into myRA directly from your bank account.” SIFMA strongly supports the myRA program. We would encourage you to consider the full potential of this carefully developed program before considering developing an expensive state alternative.
- (3) **Underlying Obstacles to Savings** - With a variety of options already available, factors other than access may be keeping people from saving. It is important that any state proposal address some of the underlying issues with retirement, including, for example, competing financial needs, as well as cost and risk, and a lack of understanding about the importance of saving over time. We would encourage the State to first determine why its residents aren’t saving before proposing a solution.
- (4) **Program Costs** - You will also want to take into account both the potential costs and benefits of such a plan. A few states have estimated the cost of establishing an IRA type program. Illinois approved a program in late 2014 - which has yet to be funded – with a fiscal note of \$15 to \$20 million in the first two years; Connecticut considered but did not pass a bill in 2014 that had an estimated price tag of \$7.2 - \$10.4 million in start-up costs; and a similar West Virginia bill that did not pass had a fiscal note estimating initial costs of \$3 million. We would encourage you to understand these costs and weigh them against any measurable benefits. We also encourage you to compare these costs and benefits to other alternatives, such as investor education, the promotion of MyRA accounts, or the development of a voluntary market-based public private partnership, similar to the proposal adopted in Washington State, which has been fully funded for only \$526,000.
- (5) **Washington State Marketplace**. In May of this year, Washington State enacted and funded Chapter 296 of 2015 Laws. The law creates a voluntary small business retirement plan “marketplace” focusing on private providers along with a web-portal structure that could connect private sector employers with qualifying plan vendors. Washington State will do mailings and outreach to eligible employers or other organizations that interact with these employers. We encourage you to look at the Washington State law to see if its voluntary nature, strong education component, and low cost/low risk of liability approach is of potential interest before moving forward with a far more costly and comprehensive plan.

- (6) **Employers may re-evaluate** - We also suggest that you consider whether the creation of a state sponsored plan would encourage employers with strong existing plans to drop their current plan as their workers would be able to enroll in the proposed State plan. The State is looking to enhance, not reduce, retirement savings, and offering options that encourage employers with strong plans to discontinue those plans in exchange for their employees enrolling in a state offering, which would likely have lower permissible contribution levels and no matching funds, would be counterproductive to that objective.

In short, there is a retirement savings problem in Wisconsin, but we believe that a state sponsored retirement plan for private sector workers 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,

A handwritten signature in black ink that reads "Kim Chamberlain". The signature is fluid and cursive, with the first name "Kim" and last name "Chamberlain" clearly legible.

Kim Chamberlain
Managing Director and Associate General Counsel
State Government Affairs

CC: All Committee Members
The Honorable Dave Hansen