



April 29, 2015

The Honorable K. Joseph Shekarchi, Chair
House Committee on Labor
State House
Providence, Rhode Island 02903

RE: H. 6080 – AN ACT RELATING TO STATE AFFAIRS AND GOVERNMENT – PRIVATE EMPLOYER IRA PROGRAM

Dear Chair Shekarchi:

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 Rhode Island, 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 H. 6080, legislation that would create a state run automatic enrollment payroll deduction IRA program for private sector workers. We applaud Representative Edwards for recognizing that there is a retirement savings challenge in this country. We, however, believe that a state run retirement savings plan for private sector workers is a step in the wrong direction.

We encourage you to consider the following as you analyze this legislation:

- (1) The market for retirement savings alternatives in Rhode Island is already robust and highly competitive. There are currently more than 26,700 individuals in Rhode Island working in the finance and insurance industries. 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 online 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) Several months ago, the federal government launched a new retirement program, known as myRA, (www.myRA.treasury.gov) which has been developed over a number of years and after extensive study and stakeholder input. It is a safe, convenient, low-cost, and voluntary way for employees to save for retirement in a completely portable manner. The program provides all the tax benefits of a Roth IRA, requires no employer contribution, is provided with no fees to the saver, and is fully portable. Enrollment takes about 10 minutes and is available to any employee with access to direct deposit. We would encourage you to consider the full potential of this carefully developed 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) With a variety of options already available, factors other than access may be keeping people from saving. One obvious factor is competing financial needs, which may be exacerbated by the bill's mandatory 3% contribution minimum. A second factor may be lack of understanding about the importance of saving over time. We would encourage the State to determine why its residents aren't saving before proposing a solution.
- (4) You will likely 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 \$66.1 million - \$165.2 million in lost revenue annually. Similarly, a West Virginia bill that did not pass had a fiscal note estimating initial costs of \$3 million. One should also consider the cost of State liabilities, including those under ERISA. We would encourage you to understand these costs and weigh them against any measurable benefits. We would 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 market-based solution such as the proposal currently being considered in Washington State.
- (5) Further, such a plan as described in H. 6080 would likely be subject to federal regulation under ERISA. This would create substantial compliance costs and financial liability for the state and participating employers, and may require the State to act in a fiduciary capacity towards participating enrollees, regardless of the protections H. 6080 seeks to provide.
- (6) H. 6080 would also be unfairly burdensome on more than 9,000 small Rhode Island businesses. In addition to the possible ERISA liabilities, H. 6080 would mandate that all covered businesses provide employees with informational materials, establish a direct-deposit payroll system, track which employees have opted-out of the program, and enroll those employees who fail to opt-out. While H. 6080 would allow for businesses to apply for a hardship exemption, such a process would still place an unfair burden on the most susceptible businesses – forcing these businesses to either comply with the requirements of H. 6080 or actively pursue an exemption through regulatory action.

There is a retirement savings problem in Rhode Island, 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,



Kim Chamberlain
Managing Director and Associate General Counsel
State Government Affairs

CC: All Members, House Committee on Labor