



AB 2940 (De Leon): Retirement: California Employee Savings Program Position: Serious Concerns

The National Association of Insurance and Financial Advisors of California (NAIFA-California), an association representing over 5,000 insurance professionals from all sectors of the industry, including life, health, property, casualty, and financial services

BACKGROUND

Existing federal law provides the opportunity for individuals to save for their retirement through tax-qualified retirement plans and individual retirement accounts or individual retirement annuities. AB 2940 (De Leon) would allow CalPERS to offer Simple IRA plans and IRAs to employees of small employers and self-employed.

While NAIFA-California would not argue with the fact that a “savings gap” exists and that it is in everyone’s best interest to encourage saving and planning for retirement, NAIFA-California does not believe that allowing CalPERS to offer Simple IRA plans and IRAs is the answer. We do believe, however, that if state agencies, the Legislature, and private sector worked together we could all play a vital role in helping to expand public awareness about the importance of retirement planning, federal tax incentives, and investment options available to individuals.

Today’s marketplace for portable retirement products is very competitive and there are many individuals, including but not limited to financial advisors, insurance agents, banks and securities dealers, in all areas of the state prepared to assist employers and individuals with these types of investments. In addition, costs associated with these types of plans can be very reasonable. There are some plans that have an annual fee of only \$15 per account.

NAIFA-California’ members are in California communities daily trying to assist employers with retirement planning for their employees. What our members have seen is that the substantial cost of federally mandated employer contributions, lack of employee participation, difficult business and economic conditions and rising health insurance costs are often the leading deterrents to the offering of retirement plans.

SOLUTION

As for CalPERS and the proponents’ claim that the state-run system would result in administrative cost savings for participating employees and employers, NAIFA-California simply disagrees. CalPERS would incur significant start-up costs associated with developing the internal systems, hiring staff, and marketing of the program. In addition, it is unrealistic to believe that fees on contributions and returns on investments would be sufficient to support the program on an on-going basis.

Furthermore, NAIFA-California has serious concerns about CalPERS attempting to be the “solution” to the “savings gap” problem. With that being said, NAIFA-California and its 5,000 members stand ready to work to increase public awareness of existing programs and to increase participation in retirement planning.

For more information regarding NAIFA-California’s position on this bill, please contact NAIFA-California’s Legislative Advocate, Shari McHugh, at (916) 930-1993.