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Addressing Maryland's Private Sector Retirement Security Dilemma

NCPERS Proposes Public-Private Partnership to Ensure Retirement Security for All Marylanders

Annapolis, MD – In an effort to significantly boost retirement security for private sector workers who are at risk – while making the state's small businesses more competitive – Maryland should create a public-private partnership to offer an affordable, low-cost, easily administered retirement savings program to private sector employers, a leading pension expert told state legislators today.

Testifying before the Maryland Joint Committee on Pensions, [Hank Kim, Esq.](#), Executive Director and Counsel of the National Conference on Public Employee Retirement Systems ([NCPERS](#)), urged legislators to establish a defined benefit plan rather than a defined contribution plan – not only to allow professional management of assets and investments and to keep costs low, but to make covered workers immune to stock market fluctuations and sudden economic downturns.

“According to U.S. Bureau of the Census data, one million working Marylanders work for employers who offer no retirement plan,” Kim testified. “Another 200,000 do not participate in their employers' plans. Less than half of small Maryland employers, those with fewer than 100 workers, offer a retirement arrangement.”

Census Bureau data also show that the smaller the Maryland employer, the less likely the employer is to offer an at-work retirement savings plan. More than two thirds (68 percent) of employers with a thousand or more employees offer a plan. But just under half (49 percent) of employers with 50 to 99 employees do. And less than a fifth (19 percent) of employers with less than 10 employees offer a retirement plan.

So many workers with only Social Security to rely on in retirement will create financial and budgetary problems for the state and its communities, Kim said, because “without adequate income, these individuals will not be able to contribute to the tax base to pay for public services and may require income-support assistance.”

[National research](#) by NCPERS shows that most small employers would like to offer a retirement savings plan, but are discouraged by the financial and administrative costs. Almost three quarters of small business owners (73 percent) say they feel a responsibility to provide some kind of retirement benefit, while even more (82 percent) say offering a retirement benefit would help them recruit and retain good employees.

Kim pointed to a rigorously tested proposal developed by NCPERS – the [Secure Choice Pension](#) – as a model for addressing the state's private sector retirement security dilemma. The SCP is envisioned

as a public-private partnership to provide retirement security to private sector workers who are not covered by a defined benefit pension.

The [proposal](#) calls on states – individually, or possibly in groups – to enact legislation to establish multiple-employer hybrid defined benefit pension plans. Participation would be voluntary and contributions would come from employers and employees. Administrative costs and investment risks would be born by the SCP fund – not by taxpayers. Each SCP would have its own board of trustees and administrator responsible for administrative and fiduciary duties. The only real obligation for employers would be to make their portion of the contribution, thus making participation in the SCP affordable and simple. At retirement, employees would have a guaranteed income for life.

In its 2013 session, Maryland’s legislature considered at least two bills advocating establishment of a retirement savings plan for private sector employers. The Joint Committee on Pensions is now gathering information about issues surrounding the lack of retirement security for private sector employees and potential options for addressing those issues. Concerns about a lack of retirement security among their citizens have prompted a number of states to explore public-private partnerships to create retirement savings plans. Massachusetts and California have already enacted legislation. NCPERS is assisting in developing and drafting legislation in several more states.

“The U.S. is facing an unprecedented retirement crisis in the private sector,” with a retirement savings deficit upwards of \$14 trillion among private sector workers, Kim said. “Our ability as a nation to sustain our economy at a time when a record number of baby boom workers are entering their retirement years should be an important part of our national debate. Retirement security for *all* Americans – whether they work in the public or private sector – must become a national priority.”

About NCPERS

The National Conference on Public Employee Retirement Systems (NCPERS) is the largest trade association for public sector pension funds, representing more than 550 funds throughout the United States and Canada. It is a unique non-profit network of public trustees, administrators, public officials and investment professionals who collectively manage more than \$3 trillion in pension assets. Founded in 1941, NCPERS is the principal trade association working to promote and protect pensions by focusing on advocacy, research and education for the benefit of public sector pension stakeholders.

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