



National Conference on Public Employee Retirement Systems

The Voice for Public Pensions

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September 17, 2012

The Honorable Edmund G. Brown, Jr.
State Capitol
Sacramento, CA 95814

Dear Governor Brown:

The National Conference on Public Employee Retirement Systems (NCPERS) respectfully petitions for the signing of SB 1234, California Secure Choice Retirement Savings Program, into law.

California has an unprecedented opportunity to defuse a potent threat to its economy and its government revenues – and in the bargain serve a wide range of public and private interests that will benefit the state, its private sector employers and its citizenry well into the future. California's private-sector employees want stable, predictable, at-work retirement savings programs. Small business owners overwhelmingly want to offer those programs, but can't afford to. Millions of California workers are not in a retirement savings plan – the vast majority because there is no plan available to them. The current situation has profound implications for individual financial security in retirement, for small business growth and competitiveness, for the state's future safety-net liabilities, for future tax revenues and for long-term economic stability and growth.

Need: California's retirement savings deficit is a looming economic issue. It is estimated that over 7.4 million private sector workers in California are not offered a retirement savings arrangement, and of those that are offered an arrangement, another 1 million do not participate. The majority of these 8.4 million workers are mostly lower-wage and working in small business with fewer than 25 employees.

Need: The vast majority of California small business owners want to offer a retirement savings arrangement to their employees – saying it benefits recruitment, retention and their bottom line – but cannot afford currently available plans.

Retirement Savings Deficit: Nationally, the retirement savings deficit is estimated to be upwards of \$8 trillion spanning a period of both near and further term retirees. With just a modest retirement arrangement such as California Secure Choice Retirement Savings Program, workers contributing just 3% of salary into the plan, would annually accumulate an estimated \$6.6 billion toward retirement savings. This program could turn around the prospect of having ill-prepared retirees impact the State's economy through increased demand for safety-net programs, a reduction in the tax base and commensurate revenue losses.

Leverage: A workplace-based retirement saving program, California Secure Choice Retirement Savings Program, encourages employees to save through a convenient payroll deduction to an



affordable plan that bolster Social Security. Smaller employers would be able to offer employees a modest, cost-effective, professionally managed retirement savings option through a simple payroll deduction. The plan and its assets would be professionally managed and would leverage the power of group purchasing to keep administrative cost low. At the time of retirement, even lower income workers could replace a meaningful percentage of wages to maintain a secure retirement.

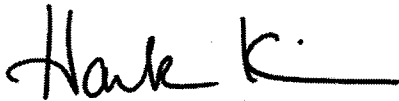
Revenue: If just half of those eligible to participate in California Secure Choice Retirement Savings Program earn a retirement benefit it is believed that the tax revenue for the State over a 30 year period would be significant. In addition, pressure on safety net programs will be far less; revenues would be higher; all resulting in a stronger state economy.

Advantage: The California Secure Choice Retirement Savings Program would be funded entirely through employee contributions. There will be no cost to taxpayers, now or in the future.

California is facing the same dilemma that all of America faces – a retirement security crisis on a scale sufficient to slow or even derail long-term economic recovery and growth, with the resulting impact on government revenues. If Baby Boomers and the millions of workers lined up behind them are forced to retire with insufficient income, they will not be able to engage in the kinds of spending, saving and tax-generating behaviors that sustain the economy and produce government revenues. They are more likely to become drains on public resources.

By signing SB1234 into law and establishing the California Secure Choice Retirement Savings Program, you won't just be taking a major step toward securing California's financial future and the futures of millions of California workers. You'll be setting a standard that other states can and should embrace – for their well-being and for the good of our economy.

Sincerely,

A handwritten signature in black ink that reads "Hank Kim". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

Hank Kim, Esq.
Executive Director & Counsel