



April 27, 2017

The Honorable Jon Hardister
The Honorable Stephen M. Ross
The Honorable Ken Goodman
The Honorable Rodney W. Moore
N.C. House of Representatives, Legislative Office Building
300 N. Salisbury St.
Raleigh, NC 27603

RE: HB 633, Small Business Retirement Program

Dear Representatives Hardister, Ross, Goodman and Moore:

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. As discussed in our first bullet below, many of our members have a strong presence in North Carolina, where they provide services to investors and retirement plans, including advisory services, investment opportunities and plan recordkeeping.

We appreciate the opportunity to provide comments on HB 633, Small Business Retirement Program. We commend all of the bill sponsors for their commitment to improving retirement savings. We agree that there is a retirement savings challenge in this country and that action must be taken to address this challenge. We, however, respectfully disagree that a state-run retirement savings plan for private sector workers is an appropriate solution.

As you consider the legislation, we urge you to take the following into account:

- **Access to Retirement Savings.** The market for retirement savings products in North Carolina is robust and highly competitive, and has seen notable growth over recent years. The securities industry employs over 22,000 people in the state, and more than 165,000 people are 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. The availability of products is not the problem.

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. For more information, visit <http://www.sifma.org>.

- **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 under-saving, including, for example, competing financial needs and a lack of understanding about the importance of saving over time. In fact, an AARP survey has found that “No money left after paying bills” was the leading obstacle to retirement savings. We would encourage the State to first determine why its residents aren’t saving enough before proposing a solution.

- **Competition with the Private Sector and ERISA Applicability.** Under the plan proposed in HB 633, North Carolina would enter into the retirement savings market with a relatively basic retirement plan that is similar to ones already provided by numerous private sector companies. In doing so, the state would be creating an unnecessary, duplicative product which places the full burdens of regulatory compliance and civil and administrative liability on the state.

- **Employers with Strong Retirement Plans Will Likely Re-evaluate, Thereby Lowering Overall Retirement Saving.** We are also very concerned that HB 633 will encourage North Carolina employers with strong existing plans to drop their current plan in favor of the state alternative. The State is looking to enhance -- not reduce -- retirement saving, and offering options that encourage employers with existing plans to instead enroll in a state offering, with lower permissible contribution levels and no provisions for matching funds, would be counterproductive to that objective.

- **Federal myRA.** As you may know, in late 2015, the U.S. Department of Treasury launched a new retirement program known as myRA (www.myRA.gov). It is specifically targeted to help low-income workers, small businesses, and those without access to an employer-sponsored retirement program, and it is a simple, safe, affordable, and voluntary way for employees to save for retirement. SIFMA strongly supports the myRA program and would encourage the legislature to compare this program to the one proposed in HB 633. The myRA would likely be cheaper and easier for saver, while offer greater guarantees and protections. Moreover, the myRA already exists and is fully funded at the federal level.

- **Marketplace Programs.** In May 2015, Washington State enacted and funded the first voluntary small business retirement plan “Marketplace” in the nation, which focuses on private providers and myRA and establishes a web-portal structure to connect private sector employers with qualifying plan vendors. The program is expected to launch later this year. A second-in-the-nation Marketplace was established in New Jersey in January 2016. We would encourage you to look at these Marketplace laws to see if their voluntary nature, strong education and outreach components, and low cost/low risk of liability approach are of potential interest before moving forward with a far more costly and comprehensive state plan.

Overall, the plans on the marketplace would be more likely to encourage employer contributions (which would address one of the primary underlying obstacles to savings), utilize the robust number of products already available in North Carolina, provide full investor protections with no state liability, and provide little incentive for employers with strong plans to re-evaluate in favor of the state plan.

We appreciate your willingness to consider our concerns. Please do not hesitate to contact me at 212-313-1233 with any questions.

Sincerely,

A handwritten signature in black ink that reads "Nancy Lancia". The signature is fluid and cursive, with the first name "Nancy" and last name "Lancia" clearly distinguishable.

Nancy Lancia
Managing Director, State Government Affairs
SIFMA

CC: The Honorable John Ager
The Honorable Mary Belk
The Honorable MaryAnn Black
The Honorable John M. Blust
The Honorable Cecil Brockman
The Honorable Becky Carney
The Honorable Beverly M. Earle
The Honorable Jean Farmer-Butterfield
The Honorable Susan C. Fisher
The Honorable Charles Graham
The Honorable Pricey Harrison
The Honorable Yvonne Lewis Holley
The Honorable Howard J. Hunter, III
The Honorable Frank Iler
The Honorable Donny Lambeth
The Honorable Bobbie Richardson
The Honorable Michael H. Wray