

# Press Release

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## **SPECTRUM PENSION CONSULTANTS, INC. OPPOSES**

### **WASHINGTON STATE SENATE BILL SB 5791**

#### **Legislation would create costly and unnecessary state-run 401(k) plans**

Tacoma, WA, March 4, 2009 – Spectrum Pension Consultants, Inc. has exposed significant flaws in and concerns with a bill pending in the Washington State Senate, SB 5791, which would allow the state of Washington to offer a 401(k) plan for small businesses. The bill was reported out of the Senate Ways & Means Committee this week and is headed for a vote on the Senate floor next Monday.

Yannis P. Koumantaros, a director and senior consultant for the Tacoma retirement plan consulting firm, testified this week before the Senate Ways & Means Committee in Olympia on behalf of Spectrum and the American Society of Pension Professionals & Actuaries (ASPPA).

“Both organizations oppose SB 5791 because, although well-intentioned, the bill in its current form will do more harm than good,” Koumantaros said.

Brian Graff, ASPPA executive director and chief executive officer, said the bill is a misguided initiative. He further stated it “is not likely to expand retirement plan coverage for employees of small businesses.”

“This legislation is laden with problems, not the least of which is compliance costs, the widespread availability of other affordable employer-sponsored retirement plan options, and liability for a complicated program at a time when Washington State can ill afford it. Expanding employer retirement programs and encouraging greater worker retirement savings are worthwhile objectives, but this is bad legislation and the wrong way to go about it,” said Spectrum Chief Executive Officer Petros P. Koumantaros.

Yannis Koumantaros and Graff cited the following reasons the bill should not be passed in its current form:

- Washington and several other states have examined state-run 401(k) plans and every state, including Washington, rejected the idea due to cost and increased liability issues. In fact, a study conducted by the Washington Department of Retirement Services recommended against adoption of this type of legislation.
- Initiating and operating a state-run 401(k) program is an inappropriate use of taxpayer money in the current economic environment. The state estimates it will cost \$3.4 million for start up over the next two years, then ongoing costs of \$2 million per year. The plan will not be self-supporting, will require federal funding to operate and has a sunset provision which could end it after six years.

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- Current state government employee retirement programs are exempt from ERISA (the Employee Retirement Income Security Act of 1974), which governs all other employer-sponsored qualified retirement plans. The proposed new state-run 401(k) plans would have to meet ERISA's stringent compliance requirements, which are extremely complicated, costly and time-consuming and would expose the state to a new level of fiduciary responsibility and liability it currently does not have.
- Supporters of SB 5791 claim the state-run 401(k) plans are needed to provide higher contribution limits for retirement savings -- up to \$16,500. However, contribution limits for IRAs (\$5,000) and SIMPLE IRAs (\$11,500) already are sufficient for the majority of workers, who average just \$3,720 in annual contributions.
- Initiation of a state-run 401(k) program would put the state of Washington in direct competition with scores of private financial services providers and retirement plan administrators across the state and could conceivably result in the loss of hundreds of jobs the state can ill afford to lose.
- Finally, employers cite lack of education about available options and not wanting to commit to making contributions for employees each year as reasons for not offering 401(k) plans. SB 5791 does not address either problem.

"Washingtonians need to know that the state wants to start competing against private companies in the financial services arena -- which it knows little about -- using borrowed money, for an indefinite period of time, for a program that's not going to be self supporting," said Yannis Koumantaros. "And if they lose enough money on it -- which they almost certainly will due to lack of support from employers -- the state will end the program in six years.

"How would you like to pick a service provider who may kill the program in six years? What happens to the employees and employers?"

"If the state of Washington feels compelled to do something to help those not covered by an employer-sponsored retirement plan to save for retirement, we encourage you to consider a payroll deduction IRA proposal, as discussed in the Department of Retirement System's study," Koumantaros advised in his testimony to the Senate committee. He further noted that payroll deduction IRAs are at the top of the Obama Administration's list of initiatives to help Americans save for retirement.

Koumantaros urged the citizens of Washington to call their legislators to express their opposition to SB 5791 as written because it creates a program that is not needed and adds unnecessary new expenses to the state budget.

### **About Spectrum**

Spectrum is a leading service provider to employers sponsoring various retirement, deferred compensation and other employee benefit programs in the western United States. Spectrum's services are tailored to the specific needs of each individual client and include: consulting and advice; plan management and administration; and employee communication and education services. Additional information about Spectrum is available at the company's web site: [www.spectrumension.com](http://www.spectrumension.com).

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