



The Commonwealth of Massachusetts

Department of the State Treasurer

State House

Boston, Massachusetts 02133

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Treasurer and Receiver General

TESTIMONY OF STEVEN GROSSMAN TREASURER AND RECEIVER GENERAL

JOINT COMMITTEE ON PUBLIC SERVICE

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Chairwoman Clark, Chairman Scibak, and members of the Committee, I am pleased to have the opportunity to submit testimony on House Bill 2411, which seeks to provide expanded retirement options for employees at non-profit organizations.

Last week, I was pleased to join Governor Patrick for a bill signing that created a Financial Literacy Trust Fund which will expand financial education opportunities for targeted populations. The premise of the legislation is simple: if you give people the financial tools they need to prepare for their long-term fiscal health, they will respond in a positive and responsible fashion and enhance their quality of life.

The legislation before you will have a similar impact on the lives of tens of thousands of Massachusetts families. It provides incentives for more people to take a long-term view toward retirement, establishing a deferred compensation program for employees of non-profit organizations. The program would be overseen by Treasury, much like the 457(b) SMART plan that many in this room take advantage of. Importantly, it would also result in no additional cost to the state, as it would be an off-budget item funded by its participants through the plan itself.

An estimated fourteen percent of the Massachusetts workforce – 460,000 individuals – is in the non-profit sector. In many cases, these individuals provide social and human services that reach underprivileged and struggling segments of our population, and their efforts have been particularly important during the recent economic downturn.

But all too often, non-profit organizations do not have the resources available to administer a deferred compensation plan. According to the Boston Foundation, a full 56 percent of grassroots organizations with a budget of less than \$250,000 do not offer any retirement plans to their employees. Particularly given the support that many of these non-profits provide to our most vulnerable neighbors, I believe our debt of gratitude can be repaid in part through this legislation.

Because of a deep commitment to public service, people in non-profit work tend to stay in non-profit work, and the lack of a viable deferred compensation plan in the sector can further isolate a whole segment of our population from a safe and secure retirement. Moreover, a disproportionate amount of the non-profit workforce is comprised of women, making this a gender-equity issue as well.

The legislation before you will incentivize more people to stay in the non-profit sector and to continue helping others. It will authorize Treasury to set up a deferred compensation plan in which contributions would be pooled together to generate greater return than if they were invested individually.

These contributions would be made on a pre-tax basis, and earnings would be tax deferred, allowing workers at non-profits to save in the same prudent manner as those who take advantage of a 401(k), 403(b), or 457(b). This would result in no cost to Massachusetts taxpayers.

While the administrative costs to many non-profits make a deferred compensation plan out-of-reach, there are immediate steps that this Committee and the Legislature as a whole can take to provide a more secure retirement to the countless individuals who have made service to others their career choice. I respectfully urge swift approval of this legislation, and Treasury stands ready to assist in its implementation.