Senate

General Assembly

File No. 835

January Session, 2009

Senate Bill No. 1

Senate, April 30, 2009

The Committee on Appropriations reported through SEN. HARP of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING ECONOMIC SECURITY FOR CONNECTICUT FAMILIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective from passage*) (a) As used in this section, "small employer" means a business with one hundred or fewer employees.

(b) The Comptroller shall establish a tax-qualified defined contribution retirement program to provide retirement investment plans, including, but not limited to, those created under Section 401 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, to self-employed individuals, small employers and organizations qualifying as tax-exempt pursuant to Section 501(c)(3) of said Internal Revenue Code. In administering such plan, the Comptroller shall seek to minimize costs by helping small employers, such organizations and individuals purchase retirement savings plans, arrangements and investments through economies of scale, standardization and other measures.

(c) In carrying out the provisions of this section, the Comptroller shall contract with a third-party administrator for the management of such plan or plans and shall recover from program assets expenses incurred to initiate, operate and administer the program established pursuant to subsection (a) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	New section

APP *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 10 $	FY 11 $
Comptroller	GF - Cost	250,000 – 500,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

Explanation

The bill requires the Comptroller to establish a tax-qualified defined contribution retirement program for self-employed individuals, employers with 100 or fewer employees, and certain nonprofits. The bill specifies the program is to be administered by a third party and costs incurred to administer and operate the program may be recovered from program assets. According to advisory opinions issued by the U.S. Department of Labor, the costs related to establishing, amending, or terminating employee benefit plans are not considered reasonable administrative expenses that may be charged to plan assets. It is anticipated these costs would therefore have to be paid by the state Comptroller since they cannot be paid with plan assets. It is estimated that this program will require a one-time cost between $250,000 and $500,000 to cover Employee Retirement Income Security Act (ERISA) compliance documents, educational and marketing materials, distribution of documents and retirement planning tools, advertising, mailing, and outreach to employers.

The Out Years

None

Sources: Office of Legislative Research Report 2008-R-0271

Office of the State Comptroller

OFA Bill Analysis

SB 1

AN ACT CONCERNING ECONOMIC SECURITY FOR CONNECTICUT FAMILIES.

SUMMARY:

The bill requires the state Comptroller to establish a tax-qualified defined contribution retirement program to provide retirement investment plans, including 401(k) plans, to (1) self-employed individuals, (2) businesses with 100 or fewer employees, and (3) certain nonprofit organizations. The bill establishes a voluntary program and does not place any requirements or duties on participating employers that would be preempted by ERISA. The underlying employer-sponsored plans (other than plans for self-employed individuals) would still be subject to ERISA, however.

The bill requires the Comptroller to recover from plan assets the expenses her office incurs to initiate, operate, and administer the program. It is likely that the third-party administrator would collect these costs through the administrative fees charged to each plan participant and then reimburse the Comptroller's Office. According to advisory opinions issued by the U.S. Department of Labor, the costs related to establishing, amending, or terminating employee benefit plans are not considered reasonable administrative expenses that may be charged to plan assets. These costs would therefore have to be paid by the employer or plan sponsor and cannot be paid with plan assets.

In general, ERISA does not apply to plans established or maintained by government entities or churches for their employees, or plans that are maintained solely to comply with workers' compensation, unemployment, or disability laws. If, however, the state's existing deferred compensation program was combined with the plans proposed in the bill it would likely affect the current program's ERISA exemption. Moreover, given that the programs involve plans governed by different sections of the Internal Revenue Code, combining them may also affect their tax status.

EFFECTIVE DATE: Upon passaage

BACKGROUND

The Employee Retirement Income Security Act (ERISA) was enacted in 1974 as a federal regulatory scheme for private sector employee benefit plans. It sets forth requirements for benefit plan participation, funding, and vesting of benefits. It also establishes uniform standards for reporting, disclosure, and fiduciary duties to ensure that employee benefit plans are established and maintained in a fair and financially sound matter.

COMMITTEE ACTION

Appropriations Committee

Joint Favorable Report
Yea 30 Nay 24 (04/15/2009)