



Senate

General Assembly

File No. 276

February Session, 2014

Senate Bill No. 249

Senate, April 2, 2014

The Committee on Labor and Public Employees reported through SEN. HOLDER-WINFIELD of the 10th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT PROMOTING RETIREMENT SAVINGS.

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

1 Section 1. (NEW) (*Effective July 1, 2014*) As used in this section and
2 sections 2 to 15, inclusive, of this act:

3 (1) "Connecticut Retirement Security Trust Fund" or "trust" means
4 the trust fund established pursuant to section 2 of this act;

5 (2) "Connecticut Retirement Security Trust Fund Board" or "board"
6 means the governing body of the Connecticut Retirement Security
7 Trust Fund, established pursuant to section 2 of this act;

8 (3) "Eligible employee" means any individual who is employed by a
9 qualified employer, except (A) any individual who is seventeen years
10 of age or younger on January first of each year, and (B) any individual
11 who is included in a unit of employees covered by a collective
12 bargaining agreement between employee representatives and one or

13 more employers, if there is evidence that retirement benefits were the
14 subject of good faith bargaining between such employee
15 representatives and such employer or employers;

16 (4) "Individual retirement account" means an individual retirement
17 account or individual retirement annuity within the trust established
18 in accordance with Section 408(a) or (b) of the Internal Revenue Code;

19 (5) "Individual retirement savings balance" means the sum of all
20 assets deposited into a plan participant's individual retirement
21 account, plus accumulated interest and minus any fees;

22 (6) "Internal Revenue Code" means the Internal Revenue Code of
23 1986, or any subsequent corresponding internal revenue code of the
24 United States, as amended from time to time;

25 (7) "Plan participant" means any eligible employee who maintains
26 an individual retirement account within the trust;

27 (8) "Public retirement plan" or "plan" means a retirement plan
28 designed by the Connecticut Retirement Security Trust Fund Board
29 and offered through the Connecticut Retirement Security Trust Fund
30 to eligible employees and qualified employers in the state;

31 (9) "Qualified employer" means any person, corporation, limited
32 liability company, firm, partnership, voluntary association, joint stock
33 association or other entity that employs five or more persons in the
34 state. "Qualified employer" does not include: (A) The federal
35 government, (B) the state or any political subdivision thereof, or (C)
36 any municipality, unit of a municipality or municipal housing
37 authority; and

38 (10) "Vendor" means (A) a regulated investment company or an
39 insurance company conducting business in the state, or (B) a company
40 conducting business in the state to (i) provide payroll or recordkeeping
41 services, and (ii) offer retirement plans or payroll deposit individual
42 retirement account arrangements using products of regulated
43 investment companies. "Vendor" does not include individual

44 registered representatives, brokers, financial planners or agents.

45 Sec. 2. (NEW) (*Effective July 1, 2014*) (a) There is established a fund to
46 be known as the "Connecticut Retirement Security Trust Fund" the
47 purpose of which shall be to promote and enhance retirement savings
48 for private sector employees in the state. The Connecticut Retirement
49 Security Trust Fund shall be a nonlapsing fund held by the State
50 Treasurer separate and apart from all other moneys, funds and
51 accounts. Investment earnings credited to the fund shall become part
52 of the trust.

53 (b) The trust shall constitute an instrumentality of the state and shall
54 perform essential governmental functions, in accordance with the
55 provisions of this section. The trust shall receive and hold all payments
56 and deposits or contributions intended for the trust, as well as gifts,
57 bequests, endowments or federal, state or local grants and any other
58 funds from any public or private source and all earnings until
59 disbursed in accordance with the provisions of this section.

60 (c) The amounts on deposit in the trust shall not constitute property
61 of the state and the trust shall not be construed to be a department,
62 institution or agency of the state. Amounts on deposit in the trust shall
63 not be commingled with state funds and the state shall have no claim
64 to or against, or interest in, such funds. Any contract entered into by or
65 any obligation of the trust shall not constitute a debt or obligation of
66 the state and the state shall have no obligation to any designated
67 beneficiary or any other person on account of the trust and all amounts
68 obligated to be paid from the trust shall be limited to amounts
69 available for such obligation on deposit in the trust. The amounts on
70 deposit in the trust may only be disbursed in accordance with the
71 provisions of this section. The trust shall continue in existence as long
72 as it holds any deposits or has any obligations and until its existence is
73 terminated by law and upon termination any unclaimed assets shall
74 return to the state. Property of the trust shall be governed by section 3-
75 61a of the general statutes.

76 (d) The Treasurer shall be responsible for the receipt and investment

77 of moneys held by the trust. The trust shall not receive deposits in any
78 form other than cash, except in the case of a rollover contribution
79 described in Section 402(c), 403(a)(4), 403(b)(8) or 457(e)(16) of the
80 Internal Revenue Code. Rollover contributions to the trust shall be
81 limited to plan participants who have contributed to the trust. No
82 depositor or designated beneficiary may direct the investment of any
83 contributions or amounts held in the trust other than the specific fund
84 options provided for by the trust.

85 (e) The assets of the trust shall be used for the purpose of
86 distributing individual retirement savings balances to the plan
87 participants and paying the operational, administrative and
88 investment costs of the trust.

89 Sec. 3. (NEW) (*Effective July 1, 2014*) (a) There is established the
90 Connecticut Retirement Security Trust Fund Board that shall serve as
91 the trustee of the Connecticut Retirement Security Trust Fund. The
92 board is charged with the implementation and administration of the
93 trust, including the design of the public retirement plan.

94 (b) Notwithstanding the provisions of section 4-9a of the general
95 statutes, the board shall consist of the following trustees:

96 (1) One appointed by the president pro tempore of the Senate, who
97 shall be an academic expert on retirement plan designs and who shall
98 serve an initial term of four years;

99 (2) One appointed by the speaker of the House of Representatives,
100 who shall represent an organization whose principle purpose is
101 advocacy for seniors and who shall serve an initial term of four years;

102 (3) One appointed by the majority leader of the Senate, who shall be
103 an organized labor representative and who shall serve an initial term
104 of four years;

105 (4) One appointed by the majority leader of the House of
106 Representatives, who shall be a representative of the business
107 community who manages employee retirement plan options and who

108 shall serve an initial term of four years;

109 (5) One appointed by the minority leader of the Senate, who shall be
110 an expert in designing retirement plan options for businesses and who
111 shall serve an initial term of three years;

112 (6) One appointed by the minority leader of the House of
113 Representatives, who shall be a representative of the business
114 community with expertise in consumer retirement planning and who
115 shall serve an initial term of three years;

116 (7) One appointed by the Governor, who shall be an academic
117 expert in the needs of an aging population and who shall serve an
118 initial term of three years;

119 (8) The State Comptroller, or the Comptroller's designee;

120 (9) The State Treasurer, or the Treasurer's designee;

121 (10) The Labor Commissioner, or the commissioner's designee; and

122 (11) The Secretary of the Office of Policy and Management, or the
123 secretary's designee.

124 (c) All appointments to the board shall be made not later than July
125 31, 2014. Following the expiration of their initial terms, subsequent
126 trustees appointed by the Governor and members of the General
127 Assembly shall serve three-year terms. Any vacancy shall be filled by
128 the appointing authority not later than thirty calendar days after the
129 office becomes vacant. Any trustee previously appointed to the board
130 may be reappointed.

131 (d) The Comptroller and the Treasurer shall serve as chairpersons of
132 the board. Said chairpersons shall schedule the first meeting of the
133 board, which shall be held not later than forty calendar days after the
134 effective date of this section. The board shall meet at least monthly.

135 (e) The trustees shall serve without compensation but shall, within
136 available appropriations, be reimbursed in accordance with the

137 standard travel regulations for all necessary expenses that they may
138 incur through service on the board.

139 (f) Each trustee shall, not later than ten calendar days after
140 appointment, take an oath of office that so far as it devolves upon the
141 trustee, the trustee will diligently and honestly administer the affairs of
142 the board, and will not knowingly violate or willingly permit to be
143 violated any of the provisions of law applicable to the trust. Each
144 trustee's term shall begin from the date the trustee takes such an oath.
145 The oath shall be administered by a chairperson of the board.

146 (g) Each trustee shall be entitled to one vote on the board. A
147 majority of the board shall constitute a quorum for the transaction of
148 any business, the exercise of any power or the performance of any
149 duty authorized or imposed by law.

150 (h) The board shall be within the Retirement Division of the office of
151 the State Comptroller for administrative purposes only.

152 (i) The board, on behalf of the trust and for purposes of
153 implementing the plan, shall:

154 (1) Establish consistent terms for each individual retirement
155 account, including, but not limited to, (A) the method of payment into
156 the trust by payroll deduction, rollover contribution described in
157 Section 402(c), 403(a)(4), 403(b)(8) or 457(e)(16) of the Internal Revenue
158 Code with the limitation described in subsection (d) of section 2 of this
159 act, transfer from bank accounts or otherwise, (B) the termination,
160 withdrawal or transfer of payments under the trust, including the
161 purchase of an annuity product upon retirement, (C) changing of the
162 identity of the designated beneficiary, (D) any charges or fees assessed
163 in connection with the administration of the plan, and (E) interest
164 allocated to individual retirement accounts for a given calendar year
165 based upon the performance of the trust;

166 (2) Enter into one or more contractual agreements, as necessary,
167 including contracts for legal, actuarial, accounting, custodial, advisory,

168 management, administrative, advertising, marketing and consulting
169 services for the plan and pay for such services from the trust;

170 (3) Adopt such regulations in accordance with the provisions of
171 chapter 54 of the general statutes as are necessary to carry out the
172 provisions of this section and may establish rules and regulations that
173 the board deems necessary or desirable to facilitate the proper
174 administration of the trust. Rules and regulations established by the
175 board shall be binding upon all parties dealing with the board and all
176 persons claiming any benefits from the trust;

177 (4) Hire staff, including a program administrator;

178 (5) Form working groups as necessary to solicit feedback from key
179 stakeholders on the design of the plan, advocate for changes in federal
180 retirement law to improve retirement security, assess the impact of the
181 plan on reducing public assistance costs for the elderly in the state and
182 determine if changes in federal or state tax law could help employees
183 in the state save for retirement; and

184 (6) Develop alternative plan designs, if necessary, to help eligible
185 employees in the state save for retirement.

186 (j) In conducting the business of the trust, including its oversight
187 functions, the board shall act: (1) With the care, skill, prudence and
188 diligence under the circumstances then prevailing that a prudent
189 person acting in a like capacity and familiar with such matters would
190 use in the conduct of an enterprise of a like character and with like
191 aims; (2) in accordance with strict fiduciary standards and
192 responsibilities; and (3) in accordance with the provisions of the
193 general statutes.

194 (k) The board shall ensure that the trust complies with all applicable
195 requirements of federal and state laws, rules and regulations to the
196 extent necessary for the trust to meet all criteria for federal tax-deferral
197 or tax-exempt benefits under the Internal Revenue Code.

198 (l) Each year the Treasurer shall publish and forward to the board a

199 consolidated report showing the fiscal transactions of the trust for the
200 preceding fiscal year, including gain or loss by category of security, a
201 reconciliation of assets showing the progression of the trust from one
202 year to the next, the amount of the accumulated cash and securities of
203 the system and the last balance sheet showing the financial condition
204 of the system by means of an actuarial valuation of its assets and
205 liabilities. Assets shall be shown at book and market value and by type
206 or term of investment, gain or loss shall be reported by category of
207 security type.

208 Sec. 4. (NEW) (*Effective July 1, 2014*) The public retirement plan shall
209 include design features prescribed by the Connecticut Retirement
210 Security Trust Fund Board. The board may amend such features from
211 time to time to serve the interests of eligible employees, plan
212 participants, qualified employers and other stakeholders. The plan
213 shall:

214 (1) Assure portability through maintenance of individual retirement
215 accounts for each plan participant. Each qualified employer
216 participating in the plan shall allow eligible employees to contribute to
217 the plan through a payroll deposit arrangement and through any other
218 means prescribed by the board;

219 (2) Transition to an inflation-indexed annuity with options for
220 spousal benefits and lump sum distribution upon the plan
221 participant's retirement;

222 (3) Offer a guaranteed interest rate to plan participants upon the
223 board analyzing expected rates of return on trust assets;

224 (4) Include a written quarterly report detailing: (A) The individual
225 retirement savings balance of such plan participant's individual
226 retirement account, (B) the estimated value of assets available upon
227 such plan participant's retirement, (C) an estimate of such plan
228 participant's expected monthly retirement income, and (D) the total
229 assets in the trust including an accounting of contributions by plan
230 participants and qualified employers and investment returns. This

231 information shall be made available through a secure Internet web site.
232 The report shall comply with all federal regulations regarding
233 reporting;

234 (5) Encourage plan participants to preserve retirement savings by
235 providing a written explanation of the consequences of failing to
236 rollover distributions from individual retirement accounts to another
237 eligible retirement plan. The contents of such an explanation shall meet
238 similar requirements to those set forth in Section 402(f) of the Internal
239 Revenue Code for qualified retirement plans;

240 (6) Require that all assets in the individual retirement account,
241 whether contributed by a plan participant or a qualified employer or
242 accrued through investments, shall vest immediately upon a plan
243 participant's enrollment in the plan;

244 (7) Provide preretirement death benefits to enable a plan participant
245 to bequeath assets to designated beneficiaries; and

246 (8) Ensure that all contributions to individual retirement accounts
247 are tax qualified under the Internal Revenue Code and the state tax
248 code.

249 Sec. 5. (NEW) (*Effective July 1, 2014*) The State Treasurer, on behalf of
250 the Connecticut Retirement Security Trust Fund and for purposes of
251 the trust, shall:

252 (1) Receive and invest moneys in the trust in any instruments,
253 obligations, securities or property in accordance with section 6 of this
254 act;

255 (2) Procure insurance as the Treasurer deems necessary to guarantee
256 the stated rate of return and to protect the trust's property, assets,
257 activities or deposits or contributions to the trust;

258 (3) Apply for, accept and expend gifts, grants or donations from
259 public or private sources to enable the trust to carry out its objectives;
260 and

261 (4) Establish one or more funds within the trust and maintain
262 separate accounts for each individual retirement account.

263 Sec. 6. (NEW) (*Effective July 1, 2014*) The State Treasurer shall invest
264 the amounts on deposit in the trust in a manner reasonable and
265 appropriate to achieve the objectives of the trust, exercising the
266 discretion and care of a prudent person in similar circumstances with
267 similar objectives. The Treasurer shall give due consideration to rate of
268 return, risk, term or maturity, diversification of the total portfolio
269 within the trust, liquidity, the projected disbursements and
270 expenditures and the expected payments, deposits, contributions and
271 gifts to be received. The State Treasurer shall not require the trust to
272 invest directly in obligations of the state or any political subdivision of
273 the state or in any investment or other fund administered by the
274 Treasurer. The assets of the trust shall be continuously invested and
275 reinvested in a manner consistent with the objectives of the trust until
276 disbursed upon order of the board or expended on expenses incurred
277 by the operations of the trust.

278 Sec. 7. (NEW) (*Effective July 1, 2014*) The Connecticut Retirement
279 Security Trust Fund Board shall establish and evaluate procedures
280 necessary to implement the public retirement plan. The board shall:

281 (1) Design, establish and operate the plan to: (A) Increase access and
282 enrollment in quality retirement plans that provide an annuitized
283 benefit; (B) provide a guaranteed rate of return; (C) reduce the need for
284 public assistance through a system of prefunded retirement income;
285 (D) offer low administrative costs and streamlined enrollment; (E)
286 minimize the need for financial sophistication for plan participants;
287 and (F) ensure trust and transparency in the management of retirement
288 funds through oversight and ethics review of plan fiduciaries;

289 (2) Explore and establish investment options that offer plan
290 participants the conversion of individual retirement account balances
291 to secure retirement income without incurring debts or liabilities to the
292 state;

293 (3) Establish the process for plan participants to switch from the
294 default of lifetime annuity to lump-sum payout upon retirement;

295 (4) Disseminate educational information concerning saving and
296 planning for retirement;

297 (5) Disseminate information concerning the tax credits available to
298 small business owners for establishing new retirement plans and the
299 federal retirement savings contribution credit available to lower and
300 moderate income households for qualified savings contributions;

301 (6) Determine the eligibility of an employer, employee or any other
302 individual to participate in the plan;

303 (7) Evaluate and establish the process by which a plan participant
304 shall contribute a portion of his or her salary or wages to his or her
305 individual retirement account;

306 (8) Evaluate and establish the process by which a qualified
307 employer shall credit the plan participant's contributions to his or her
308 individual retirement account through payroll deposit;

309 (9) Evaluate and establish the process by which a qualified
310 employer may contribute to a plan participant's individual retirement
311 account, provided: (A) The contribution shall be allowed under the
312 Internal Revenue Code, and (B) the contribution shall not cause the
313 plan to be treated as an employee benefit plan under the federal
314 Employee Retirement Income Security Act of 1974;

315 (10) Design and establish the process for the enrollment of eligible
316 employees in the plan and design and establish the process by which
317 an individual or employee eligible to participate in the plan under
318 subdivisions (3) to (5), inclusive, of subsection (c) of section 10 of this
319 act may enroll in and make contributions to the plan. This process shall
320 include, but not be limited to, the creation of an information packet
321 including the necessary paperwork for an eligible employee to opt out
322 of the plan or adjust his or her level of contribution;

323 (11) Develop one or more payroll deposit savings arrangements
324 through which qualified employers may make deposits into the trust;

325 (12) Establish and maintain a secure Internet web site that displays
326 all public notices issued by the board and such other information as
327 the board deems relevant pursuant to the education of the public
328 regarding the plan;

329 (13) Submit, in accordance with the provisions of section 11-4a of
330 the general statutes, a report to the General Assembly regarding any
331 changes that are necessary for the implementation of the plan; and

332 (14) Set maximum investment levels in accordance with
333 contribution limits set for individual retirement accounts by the
334 Internal Revenue Code.

335 Sec. 8. (NEW) (*Effective July 1, 2014*) (a) Before opening the plan for
336 enrollment the board shall:

337 (1) Establish and maintain a secure Internet web site to provide
338 qualified employers with information about employer-sponsored
339 retirement plans and payroll deduction individual retirement
340 accounts, and to assist qualified employers in identifying vendors of
341 retirement arrangements that may be set up by the qualified employers
342 in lieu of participation in the plan;

343 (2) Include the Internet web site address on any posting to the
344 Internet web site or in other materials offered to the public regarding
345 the program;

346 (3) Prior to implementing the Internet web site, and at least annually
347 thereafter, provide notice to vendors (A) that such Internet web site is
348 active, (B) that such vendors may register for inclusion on the Internet
349 web site, and (C) regarding the process for inclusion on the Internet
350 web site; and

351 (4) Establish an appeals process for vendors that are denied
352 registration or removed from the Internet web site pursuant to

353 subsection (d) of this section.

354 (b) Each vendor that registers to be listed on the Internet web site
355 shall provide: (1) A statement of such vendor's experience providing
356 employer-sponsored retirement plans and payroll deduction
357 individual retirement accounts in this state and in other states, if
358 applicable, (2) a description of the types of retirement investment
359 products offered by such vendor, and (3) a disclosure of all expenses
360 paid directly or indirectly by retirement plan participants, including,
361 but not limited to, penalties for early withdrawals, declining or fixed
362 withdrawal charges, surrender or deposit charges, management fees
363 and annual fees.

364 (c) The cost of establishing and maintaining the registration system
365 and the Internet web site shall be borne solely and equally by
366 registered vendors, based upon the total number of registered vendors.

367 (d) The board may remove a vendor from the Internet web site if the
368 vendor: (1) Submits materially inaccurate information to the board, (2)
369 does not remit assessed fees within sixty days from the date of
370 assessment, or (3) fails to submit to the board notice of any material
371 change to the vendor's registered investment products. Any vendor
372 found to have submitted materially inaccurate information to the
373 board shall be allowed sixty calendar days to correct the information.

374 Sec. 9. (NEW) (*Effective July 1, 2014*) (a) Not later than August 1,
375 2015, or ninety days following the date on which the conditions
376 required by sections 8 and 17 of this act have been met, whichever is
377 later, the Connecticut Retirement Security Trust Fund Board shall open
378 the public retirement plan to enrollment.

379 (b) Prior to the plan's opening, the board shall declare (1) the rate at
380 which interest shall be allocated to individual retirement accounts, and
381 (2) the default contribution rate from the date of the plan's opening
382 until December thirty-first of the same year.

383 (c) On or before December first of the year in which the plan opens

384 to enrollment, and annually thereafter, the board shall declare the rate
385 at which interest shall be allocated to individual retirement accounts
386 for the following calendar year commencing January first.

387 (d) Interest shall be allocated to individual retirement accounts and
388 shall be computed at the stated interest rate on the balance of an
389 eligible employee's account and shall be compounded daily.

390 (e) On or before December first of the year in which the plan opens
391 to enrollment, and annually thereafter, the board shall notify all plan
392 participants of any changes to the default contribution rate for the
393 following calendar year.

394 (f) (1) Administrative fees shall be allocated to each individual
395 retirement account on a pro rata basis.

396 (2) Annual administrative expenses shall not exceed one per cent of
397 the total trust balance.

398 (g) All expenses, including employee costs, incurred to implement,
399 maintain, advertise and administer the plan shall be paid from moneys
400 collected by or for the trust.

401 Sec. 10. (NEW) (*Effective July 1, 2014*) (a) Not later than ninety
402 calendar days after the Connecticut Retirement Security Trust Fund
403 Board opens the plan for enrollment, qualified employers who do not
404 offer another retirement savings arrangement as described in
405 subdivision (1) of subsection (c) of this section shall offer eligible
406 employees a payroll deposit option to facilitate participation in the
407 plan.

408 (b) (1) Each qualified employer shall enroll each eligible employee
409 in the plan at the default contribution rate unless such employee elects
410 not to participate in the plan.

411 (2) An eligible employee may elect to opt out of the plan by
412 providing written notice, on such form and in such manner as the
413 board may prescribe, to the board and such eligible employee's

414 employer.

415 (3) Following initial implementation of the plan in accordance with
416 this section, and at least biennially thereafter, qualified employers shall
417 designate an open enrollment period during which each eligible
418 employee who previously opted out of the plan shall be enrolled in the
419 plan unless the employee again elects to opt out.

420 (4) Any eligible employee not participating in the plan may enroll at
421 any time by submitting written notice, on such form and in such
422 manner as the board may prescribe, to the board and such eligible
423 employee's employer.

424 (5) The board, in coordination with the Labor Commissioner, shall
425 disseminate information to employers regarding the employers'
426 obligations under this section.

427 (c) (1) A qualified employer shall retain the option at all times to set
428 up an employer-sponsored retirement plan, such as a defined benefit
429 plan, an employee retirement plan described in Section 401(k) of the
430 Internal Revenue Code, a simplified employee pension plan or a
431 savings incentive match plan for employees, or to offer an automatic
432 enrollment payroll deduction individual retirement account instead of
433 offering a payroll deposit retirement savings arrangement in the
434 Connecticut Retirement Security Trust Fund.

435 (2) If a qualified employer has offered its eligible employees a
436 payroll deposit retirement savings arrangement through the plan and
437 chooses to terminate such payroll deposit retirement savings
438 arrangement, such qualified employer shall notify each eligible
439 employee and plan participant, within a reasonable amount of time
440 and in a manner prescribed by the board, of such qualified employer's
441 decision to terminate such payroll deposit retirement savings
442 arrangement.

443 (3) Qualified employers that offer employees retirement savings
444 arrangements described in subdivision (1) of subsection (c) of this

445 section may elect to offer employees not eligible to participate in such
446 arrangements the opportunity to make payroll deposit contributions to
447 the trust.

448 (4) Any employer that does not satisfy the definition of a qualified
449 employer pursuant to section 1 of this act by virtue of such employer
450 employing fewer than five employees in the state, inclusive of
451 independent contractors, may choose to participate in the plan.

452 (5) Any individual whose employer is not a qualified employer may
453 choose to participate in the plan on an individual basis. However, any
454 contributions made to the plan on behalf of such individual shall not
455 be made as a payroll deposit contribution through such individual's
456 employer's payroll system.

457 (d) (1) The board shall set a default contribution amount as a
458 percentage of salary at not less than two per cent and not more than
459 five per cent and may vary such amount according to the length of
460 time that an eligible employee has contributed to the plan.

461 (2) Plan participants may, at any time, on a form and in a manner
462 prescribed by the board, elect to change their level of contribution.

463 Sec. 11. (NEW) (*Effective July 1, 2014*) The Connecticut Retirement
464 Security Trust Fund Board, from time to time, shall consider the
465 opinions of eligible employees, plan participants, qualified employers
466 and other stakeholders in making modifications to the public
467 retirement plan by: (1) Holding public hearings to allow eligible
468 employees, plan participants, qualified employers and other
469 stakeholders to comment on the plan, including the default
470 contribution amounts, guaranteed interest rates and fees charged; (2)
471 surveying plan participants and qualified employers to assess their
472 experience with the plan; and (3) assessing the marketplace of
473 employer-sponsored retirement plan offerings to determine what is
474 otherwise available to employees and residents in the state.

475 Sec. 12. (NEW) (*Effective July 1, 2014*) (a) Qualified employers shall

476 not be liable for an eligible employee's decision to participate in or opt
477 out of the public retirement plan, or for the investment performance of
478 assets deposited in the trust.

479 (b) (1) A qualified employer shall not be a fiduciary or considered to
480 be a fiduciary of the plan.

481 (2) A qualified employer shall not be responsible for the
482 administration, investment or investment performance of the plan.

483 (3) A qualified employer shall not be liable with regard to
484 investment returns, plan design or retirement income paid to plan
485 participants.

486 (c) A qualified employer's voluntary contribution made in
487 accordance with the process established under section 7 of this act may
488 not contradict the provisions of this section or change the qualified
489 employer's relationship to the plan or such qualified employer's
490 obligations to its eligible employees.

491 Sec. 13. (NEW) (*Effective July 1, 2014*) (a) The state shall not be liable
492 for the payment of the individual retirement account balance earned
493 by plan participants.

494 (b) Any financial liability for the payment of retirement account
495 balances in excess of funds available in the trust shall be borne by the
496 entities with whom the Treasurer contracts to provide insurance to
497 protect the value of the trust.

498 Sec. 14. (NEW) (*Effective July 1, 2014*) (a) No qualified employer
499 shall, without good cause, fail to allow an eligible employee to
500 participate in the plan.

501 (b) Qualified employers shall remit all moneys intended for the trust
502 not later than fourteen days after the date such moneys were deducted
503 from each plan participant's wages.

504 (c) Any eligible employee or plan participant aggrieved by a

505 violation of the provisions of sections 2 to 15, inclusive, of this act may
506 file a complaint with the Labor Commissioner. Upon receipt of any
507 such complaint, the commissioner may hold a hearing concerning the
508 violation of such provisions. Any party aggrieved by the decision of
509 the commissioner may appeal the decision in accordance with the
510 provisions of chapter 54 of the general statutes.

511 Sec. 15. (NEW) (*Effective July 1, 2014*) (a) Each trustee of the
512 Connecticut Retirement Security Trust Fund Board shall file, with the
513 board and the Office of State Ethics, a statement of financial interests,
514 as described in section 1-83 of the general statutes. Such statement
515 shall be a public record.

516 (b) Not later than August 1, 2015, or ninety days following the date
517 on which the conditions required by sections 8 and 17 of this act have
518 been met, whichever is later, and annually thereafter, the board shall
519 submit to the General Assembly, in accordance with the provisions of
520 section 11-4a of the general statutes, and to the Governor, president
521 pro tempore of the Senate and speaker of the House of Representatives
522 a report prepared by the board, which shall include, but not be limited
523 to, a summary of the plan design and operation, the number of plan
524 participants and the average contribution of said plan participants, and
525 the rates of return and administrative costs as a percentage of total
526 assets of the plan.

527 (c) Not later than the January first following the first full year that
528 the trust and plan have been operative, the board shall submit to the
529 General Assembly, in accordance with section 11-4a of the general
530 statutes, and to the Governor, president pro tempore of the Senate and
531 the speaker of the House of Representatives, an annual audit prepared
532 in accordance with generally accepted accounting principles by an
533 independent certified accountant, on the operations of the trust and
534 plan.

535 Sec. 16. (*Effective July 1, 2014*) (a) The Connecticut Retirement
536 Security Trust Fund Board shall conduct a market feasibility study to
537 determine whether the necessary conditions for implementation of this

538 act can be met, including: (1) Likely participation rates, (2) contribution
539 levels, (3) rate of account closures and rollovers, (4) ability to provide
540 employers with a payroll deposit system for remitting contributions
541 from employees, (5) funding options for implementation of sections 2
542 to 17, inclusive, of this act until the trust has sufficient funds to be self-
543 sustaining, and (6) likely insurance costs and whether such costs
544 should be subject to the limit on annual administrative expenses
545 pursuant to subsection (f) of section 9 of this act.

546 (b) Not later than December 15, 2014, the board shall submit, in
547 accordance with the provisions of section 11-4a of the general statutes,
548 a report on the findings of such study and any recommendations
549 therefrom to the Governor and to the joint standing committee of the
550 General Assembly having cognizance of matters relating to labor and
551 public employees.

552 Sec. 17. (NEW) (*Effective July 1, 2014*) (a) Prior to the implementation
553 of any plan, trust, administrative arrangement or investment offering
554 under the provisions of sections 2 to 15, inclusive, of this act, the
555 Connecticut Retirement Security Trust Fund Board shall determine
556 that, based on the market feasibility study conducted in accordance
557 with section 16 of this act, the provisions of sections 2 to 15, inclusive,
558 of this act shall be self-sustaining, and funds are available through a
559 nonprofit or other private entity, federal funding or appropriations by
560 the General Assembly in amounts sufficient to allow the board to
561 implement this act until the board has sufficient funds to be self-
562 sustaining.

563 (b) Prior to the implementation of any plan, trust, administrative
564 arrangement or investment offering under the provisions of sections 2
565 to 15, inclusive, of this act, the arrangements for individual retirement
566 accounts shall qualify for the favorable federal income tax treatment
567 ordinarily accorded to individual retirement accounts under the
568 Internal Revenue Code, and the public retirement plan shall be
569 determined not to be an employee benefit plan under the federal
570 Employee Retirement Income Security Act.

571 Sec. 18. Section 3-13c of the general statutes is repealed and the
 572 following is substituted in lieu thereof (*Effective from passage*):

573 Trust funds as used in sections 3-13 to 3-13e, inclusive, and 3-31b
 574 shall be construed to include Connecticut Municipal Employees'
 575 Retirement Fund A, Connecticut Municipal Employees' Retirement
 576 Fund B, Soldiers, Sailors and Marines Fund, the Connecticut
 577 Retirement Security Trust Fund, State's Attorneys' Retirement Fund,
 578 Teachers' Annuity Fund, Teachers' Pension Fund, Teachers'
 579 Survivorship and Dependency Fund, School Fund, State Employees
 580 Retirement Fund, the Hospital Insurance Fund, Policemen and
 581 Firemen Survivor's Benefit Fund and all other trust funds
 582 administered, held or invested by the Treasurer.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	New section
Sec. 2	<i>July 1, 2014</i>	New section
Sec. 3	<i>July 1, 2014</i>	New section
Sec. 4	<i>July 1, 2014</i>	New section
Sec. 5	<i>July 1, 2014</i>	New section
Sec. 6	<i>July 1, 2014</i>	New section
Sec. 7	<i>July 1, 2014</i>	New section
Sec. 8	<i>July 1, 2014</i>	New section
Sec. 9	<i>July 1, 2014</i>	New section
Sec. 10	<i>July 1, 2014</i>	New section
Sec. 11	<i>July 1, 2014</i>	New section
Sec. 12	<i>July 1, 2014</i>	New section
Sec. 13	<i>July 1, 2014</i>	New section
Sec. 14	<i>July 1, 2014</i>	New section
Sec. 15	<i>July 1, 2014</i>	New section
Sec. 16	<i>July 1, 2014</i>	New section
Sec. 17	<i>July 1, 2014</i>	New section
Sec. 18	<i>from passage</i>	3-13c

LAB *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 15 \$	FY 16 \$
Revenue Serv., Dept.	GF - Potential Revenue Loss	66.1 million to 165.2 million	66.1 million to 165.2 million
Labor Dept.	GF - Potential Cost	Zero to 75,000	Zero to 75,000
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	Zero to 27,495	Zero to 27,495
Comptroller	GF - Potential Cost	Up to 2.4 million	Up to 8 million
Treasurer	Connecticut Retirement Security Trust Fund - Revenue Gain	None	See Below

Municipal Impact: None

Explanation

The bill results in fiscal impacts to various state agencies as indicated below.

Retirement Plan Administrative Costs

The bill establishes the Connecticut Retirement Security Trust Fund Board to administer a retirement plan for employees in the state. The Board is part of the Office of the State Comptroller (OSC) for administrative purposes. Funding for the market-feasibility study required in the bill and the start-up costs for the plan are not specified. However, if OSC is responsible for these expenses, the provisions of

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 36.66% of payroll in FY 15 and FY 16.

the bill are anticipated to result in a cost to OSC in FY 15 of up to \$2.4 million for the market feasibility study (\$1 to \$2 million) and initial start-up costs for the board, including staffing (\$400,000 for staff and supplies).

The financing for other start-up costs (marketing, additional staff to implement the plan and enrollment, consultants for plan designs, investment options and reporting) are not specified. If OSC is responsible for providing these resources, there will be a one-time additional cost to OSC of between \$6 and \$8 million. It is assumed that ongoing costs of the plan, including staff and consultants, will be paid for out of the resources of the trust fund.

It is unclear whether members of the Board would be reimbursed for travel expenses for meetings that occur prior to the establishment of the Connecticut Retirement Security Trust Fund. The source of funding for potential board expenses not otherwise enumerated is also unspecified.

Enforcement

Section 14 allows eligible employees who are prohibited by covered employers, without good cause, from participating in the plan to file a complaint with the Labor Commissioner, who may hold a hearing regarding the potential violation. Assuming the plan established under the bill is enacted, this results in a potential cost to the Department of Labor (DOL).

The degree of potential costs incurred by DOL depends on the number of complaints filed and the resources required to handle them. To the extent that any such complaints are received and investigated, there is a cost of zero to \$102,495 annually. The higher estimate assumes the hiring of a Staff Attorney and associated salary (\$75,000) and fringe costs (\$27,495). The timing of the potential cost is dependent on the timing of the enactment of the plan established under the bill.

There is no impact to the Judicial Department from allowing any aggrieved party to appeal a commissioner's decision under the Uniform Administrative Procedure Act to the Superior Court. The number of appeals is not anticipated to be great enough to need additional resources. The court system disposes of over 400,000 cases annually.

State Income Tax

Section 17 specifies that the plan established under the bill cannot be open for enrollment until the retirement plan's Individual Retirement Accounts qualify for favorable tax treatment under the Internal Revenue Code. It is unclear how such qualification would be established, and whether that qualification would result in income being excluded from adjusted gross income (AGI) for state income tax purposes. To the extent this qualification is established and contributions to the plan are excluded from the state income tax, this results in a potential revenue loss of \$66.1 million - \$165.2 million annually.² The revenue loss could be lower to the extent that covered employees decide not to participate in the plan.

Fund Management

The Office of the State Treasurer would hold the resources of the fund in a separate account that is invested, which is not anticipated to result in a fiscal impact to the agency because the bill specifies that the operational, administrative and investment costs of the fund would be paid by its assets.

There is a revenue gain to the Connecticut Retirement Security Trust Fund from investment earnings.

The Out Years

There is not anticipated to be an ongoing cost impact to the state, as expenses of the board and the retirement plan are anticipated to be

² The lower estimate assumes the minimum 2.0% default contribution rate and the higher estimate assumes the maximum 5.0% default contribution rate.

supported by the resources of the fund.

The annualized ongoing revenue impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**SB 249*****AN ACT PROMOTING RETIREMENT SAVINGS.*****SUMMARY:**

This bill creates the Connecticut Retirement Security Trust Fund (the “trust”) to provide a public retirement plan for certain private-sector employees, who are automatically enrolled in the plan unless they opt out. The trust is administered by an 11-member Connecticut Retirement Security Trust Fund Board chaired by the state treasurer and comptroller.

The bill requires the trust’s plan to offer individual retirement accounts (IRAs) with a number of specified features, including account portability and options for spousal benefits and lump sum payments when the employee retires.

The plan cannot be open for enrollment until the (1) board determines that it will be self-sustaining, (2) board establishes a website featuring information on employer-sponsored retirement plans with registered vendors, (3) retirement plan’s IRAs qualify for favorable tax treatment under the Internal Revenue Code (IRC), and (4) plan is determined not to be an employee benefit plan under the federal Employee Retirement Income Security Act (ERISA). The plan must open to enrollment no later than August 1, 2014 or 90 days after those conditions are satisfied, whichever is later.

Additional plan requirements under the bill include:

1. annual declarations of the interest rate for IRAs for each upcoming year;
2. annual administrative fees not exceeding 1% of the total trust

- balance;
3. all expenses, including trust employee costs, must be paid from money collected by the trust;
 4. qualified employers (those with at least five employees) must offer employees a payroll deduction option to join the trust program unless they offer a different employer-sponsored retirement plan;
 5. the default employee contribution must be at least 2% but not more than 5% of salary;
 6. employers are not responsible for the administering or investing of the fund;
 7. employers must not be liable for the investment return;
 8. the state is not liable for payment of the IRA balance that participants earn; and
 9. financial liabilities in excess of trust assets must be borne by the treasurer-selected fund insurers.

Under the bill, the trust will be a nonlapsing fund held by the treasurer separate and apart from all other state funds and accounts. The treasurer is responsible for receiving and investing money held in the trust which must receive and hold all payments, deposits, contributions, and gifts intended for it. Funds are held until disbursed in accordance with the bill's provisions.

The website featuring employer-sponsored plans is intended to assist qualified employers in finding retirement plan vendors that can be used in lieu of the bill's plan. The cost of the website must be borne by the registered vendors appearing on the website.

EFFECTIVE DATE: July 1, 2014, except for the section adding the name of the new trust to the list of existing trusts administered by the treasurer, which is effective on passage.

§ 1 — DEFINITIONS

Under the bill:

1. an “eligible employee” is anyone employed by a qualified employer except anyone (a) age 17 or younger on January first of each year or (b) included in a union agreement, if there is evidence that retirement benefits were the subject of good faith bargaining between the union and the employer or employers, and
2. a “qualified employer” is any person, corporation, limited liability company, firm, partnership, voluntary association, joint stock association, or other entity that employs at least five people in Connecticut, except a public-sector employer, including any municipality, unit of a municipality, or municipal housing authority.

§ 2 — TRUST

The trust must receive and hold all payments, deposits, contributions, gifts, bequests, endowments, or government grants and any other public or private funds intended for it. Investment earnings credited become part of the trust. Funds are held until disbursed in accordance with the bill’s provisions.

The funds in the trust are not property of the state, and the trust must not be construed to be a department, institution, or agency of the state. Money in the trust cannot be commingled with state funds, and the state has no claim to or against, or interest in, the funds.

Any contract entered into by, or any obligation of, the trust does not constitute a debt or obligation of the state. The state has no obligation to any designated beneficiary or any other person because of the trust, and all amounts obligated to be paid from the trust must be limited to amounts available for the obligation on deposit in the trust.

The amounts in the trust may only be disbursed in accordance with

the bill's provisions. The trust must continue in existence as long as it holds any deposits or has any obligations and until its existence is terminated by law. Upon termination, any unclaimed assets must return to the state. The trust's property is governed by the state law that addresses abandoned property held by a fiduciary.

The trust constitutes an instrumentality of the state and must perform essential governmental functions, as provided in the bill.

Deposits, Rollover Contributions, and Use of Assets

The state treasurer is responsible for receiving and investing money in the trust. The trust can receive only cash deposits or rollover contributions from certain tax-deferred retirement accounts or annuity plans under the IRC (specifically, 402(c), 403(a)(4), 403(b)(8), and 457(e)(16) plans). Only participants who have contributed to the trust can deposit rollover contributions. Depositors and designated beneficiaries may direct the investment of any contributions or amounts held in the trust only in specific fund options the trust provides.

The trust's assets must be used for distributing individual retirement savings balances to the participants and paying the trust's operational, administrative, and investment costs.

§§ 3 & 14 — TRUST FUND BOARD

The bill establishes the Connecticut Retirement Security Trust Fund Board (the "board") as the fund trustee. The board is charged with implementing and administering the trust, including the design of the public retirement plan.

The board consists of the following 11 trustees:

1. the Senate president pro tempore appoints one, who must be an academic expert on retirement plan designs, serving an initial term of four years;
2. the House speaker appoints one, representing a senior citizen advocacy organization, serving an initial term of four years;

3. the Senate majority leader appoints one, who must be a labor union representative, serving an initial term of four years;
4. the House majority leader appoints one, who must be an employee retirement plan manager representing the business community, serving an initial term of four years;
5. the Senate minority leader appoints one, who must be an expert in designing retirement plan options for businesses, serving an initial term of three years;
6. the House minority leader appoints one who must have expertise in consumer retirement planning representing the business community, serving an initial term of three years;
7. the governor appoints one who must be an academic expert in the needs of the aging, serving an initial term of three years;
8. the state comptroller, or his designee;
9. the state treasurer, or her designee;
10. the labor commissioner, or her designee; and
11. the Office of Policy and Management secretary, or his designee.

All appointments to the board must be made by July 31, 2014. Following the expiration of their initial terms, subsequent legislative leader and gubernatorial appointees will serve three-year terms. Any vacancy must be filled by the appointing authority not later than 30 calendar days after the vacancy. Any trustee previously appointed to the board may be reappointed.

The comptroller and the treasurer must serve as board chairpersons (apparently they will be co-chairs). The chairpersons must hold the board's first meeting by August 10, 2013. It must meet at least monthly.

The trustees serve without pay but, within available appropriations, receive reimbursements for standard travel and other necessary

expenses.

Each trustee must, within 10 calendar days after appointment, take an oath that he or she will diligently and honestly administer the board's affairs, and will not knowingly violate or willingly permit violations of the applicable trust law. Each trustee's term begins from the date the trustee takes the oath, which must be administered by the comptroller or treasurer.

Each trustee has one vote on the board. A majority of the trustees constitutes a quorum. The board is within the retirement division of the comptroller's office for administrative purposes only.

§ 15 — Board Ethics

The bill requires each trustee to file, with the board and the Office of State Ethics, a statement of financial interests, as described by law. The statement is a public record.

§ 3 — BOARD DUTIES

The board, on behalf of the trust and to implement the plan, must carry out a number of duties specified in the bill.

It must establish consistent terms for each IRA offered through the trust's plan. The terms must include:

1. payment into the trust by payroll deduction or rollover contributions from certain tax-deferred retirement accounts or annuity plans under the IRC;
2. termination, withdrawal, or transfer of payments under the trust, including the purchase of an annuity product upon retirement;
3. changing the identity of a designated beneficiary;
4. any administrative charges or fees; and
5. annual interest allocated to IRAs based on the trust performance.

The board must also:

1. enter into contracts for any legal, actuarial, accounting, custodial, advisory, management, administrative, advertising, marketing, and consulting services needed for the plan and pay for these services from the trust;
2. adopt regulations necessary to carry out the board's duties and, at its discretion, establish rules and regulations that it deems necessary or desirable to facilitate the trust's proper administration (rules and regulations the board establishes are binding on all parties dealing with the board and all people claiming trust benefits);
3. hire staff, including a program administrator;
4. form working groups as necessary to (a) solicit feedback from key stakeholders on the plan's design, (b) advocate for changes in federal retirement law to improve retirement security, (c) assess the plan's impact on reducing public assistance costs for the elderly in the state, and (d) determine if changes in federal or state tax law could help employees in the state save for retirement;
5. develop alternative plan designs, if necessary, to help eligible employees in the state save for retirement; and
6. ensure the trust complies with all applicable federal and state laws, rules, and regulations to the extent necessary to meet federal tax-deferral or tax-exempt benefit criteria under the IRC.

In conducting the trust's business, the board must act:

1. with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a similar capacity would use in the conduct of a similar enterprise; and
2. in accordance with state statutes and strict fiduciary standards

and responsibilities.

§ 7 — BOARD POLICIES AND PROCEDURES

The board, must establish and evaluate policies and procedures necessary to implement the public retirement plan. It must:

1. design, establish, and operate the plan to (a) increase access and enrollment in quality retirement plans that provide an annuitized benefit, (b) provide a guaranteed rate of return, (c) reduce the need for public assistance through a system of prefunded retirement income, (d) offer low administrative costs and streamlined enrollment, (e) minimize the need for financial sophistication for plan participants, and (f) ensure trust and transparency in the management of retirement funds through oversight and ethics review of plan fiduciaries;
2. explore and establish investment options that allow plan participants to convert IRA balances to secure retirement income without the state incurring debt or liability;
3. establish a process for plan participants to switch from the default of lifetime annuity to lump-sum payout on retirement;
4. disseminate educational information concerning saving and planning for retirement;
5. disseminate information concerning the tax credits available to small business owners for establishing new retirement plans and the federal retirement savings contribution credit available to low- and moderate-income households for qualified savings contributions;
6. determine the eligibility of an employer, employee, or any other individual to participate in the plan;
7. evaluate and establish the process by which a plan participant must contribute a portion of his or her salary or wages to his or her IRA;

8. evaluate and establish the process by which a qualified employer must credit the plan participant's contributions to his or her IRA through payroll deposit;
9. evaluate and establish the process by which a qualified employer can contribute to a plan participant's IRA, provided that the contribution must (a) be allowed under the IRC and (b) not cause the plan to be treated as an employee benefit plan under ERISA;
10. design and establish the process (a) for enrolling eligible employees in the plan and (b) by which an individual or employee of a nonparticipating employer may enroll in or make contributions to the program. This process must include an information packet with the paperwork for an eligible employee to enroll in or opt-out of the plan or adjust his or her contribution level;
11. develop one or more payroll deposit savings arrangements through which qualified employers may make deposits into the trust;
12. establish and maintain a secure website that displays all board-issued public notices and such other information the board deems relevant for public education;
13. submit a report to the General Assembly regarding any changes necessary for the plan's implementation; and
14. set maximum investment levels in accordance with annual contribution limits for IRAs set by the IRS.

§ 4 — IRA FEATURES

The board must prescribe the plan design features. It can amend the features from time to time to serve the interests of eligible employees, plan participants, qualified employers, and other stakeholders. The plan must:

1. assure portability by keeping individual retirement accounts for each plan participant;
2. transition to an inflation-indexed annuity with options for spousal benefits and lump-sum distribution when the participant retires;
3. offer a guaranteed interest rate to plan participants upon the board analyzing expected rates of return on trust assets;
4. include a written quarterly report detailing (a) the individual retirement savings balance of a plan participant's IRA, (b) the estimated value of assets available upon the participant's retirement, (c) an estimate of the participant's expected monthly retirement income, and (d) other specifics;
5. encourage participants to preserve retirement saving by explaining the consequences of failing to rollover distributions from the IRA to another retirement plan (the explanation must meet similar requirements to those set in the IRC for qualified retirement plans);
6. require that all IRA assets, whether contributed by an employee or an employer or accrued through investments, must vest immediately upon an employee's enrollment;
7. provide preretirement death benefits so a plan participant can bequeath assets to beneficiaries; and
8. ensure that all contributions to IRAs qualify for tax benefits under the IRC and the state tax code.

Each qualified employer must allow eligible employees to contribute to the plan through payroll deduction and through any other means prescribed by the board.

The quarterly report must be made available through a secure Internet web site and must comply with all federal regulations

regarding reporting.

§ 5 — TREASURER'S DUTIES

The treasurer, on behalf of and for purposes of, the trust, must:

1. receive and invest money in the trust in any instruments, obligations, securities, or property in accordance with the bill's investment guidelines (see below);
2. procure the insurance she considers necessary to guarantee the rate of return and protect the trust's property, assets, and activities, or deposits or contributions to the trust;
3. apply for, accept, and expend gifts, grants, or donations from public or private sources to enable the trust to carry out its objectives; and
4. establish one or more funds within the trust and maintain separate accounts for each IRA.

§§ 6 & 18 — INVESTMENT GUIDELINES

Under the bill, the treasurer must invest the amounts on deposit in the trust in a manner reasonable and appropriate to achieve the trust's objectives, exercising the discretion and care of a prudent person in similar circumstances with similar objectives. She must give due consideration to rate of return; risk, term or maturity; diversification of the total portfolio within the trust; liquidity; projected disbursements and expenditures; and the expected payments, deposits, contributions, and gifts to be received.

The treasurer must not require the trust to invest directly in Connecticut state or municipal debt. The trust assets must be continuously invested and reinvested in a manner consistent with the trust objective until disbursed upon order of the board or for expenses incurred due to trust operations.

The bill places the treasurer's trust investments under the same oversight and requirements established in the trust statutes for funds

including the Teachers' Pension Fund, the State Employee Retirement Fund, and the Connecticut Municipal Employees' Retirement Fund.

§ 3 — TREASURER'S ANNUAL REPORT

Each year the treasurer must publish and forward to the board a consolidated report showing the trust's fiscal transactions for the preceding fiscal year, including:

1. gain or loss by category of security,
2. a reconciliation of assets showing the trust's progression from one year to the next,
3. the amount of the accumulated cash and securities in the trust, and
4. the last balance sheet showing the trust's financial condition by means of an actuarial valuation of its assets and liabilities.

Assets must be shown at book and market value and by type or term of investment, and gain or loss must be reported by security type.

§§ 9 & 10 — PLAN ENROLLMENT, INTEREST RATES, EMPLOYEE CONTRIBUTIONS AND FEES

The board must open the public retirement plan to enrollment by August 1, 2015, or 90 days after the bill's required conditions are met (see §§ 8 and 17), whichever is later.

Interest

Before the plan opens, the board must declare (1) the interest rate to be allocated to IRAs and (2) the default contribution rate from the date of the plan's opening until December 31 of that year.

On or before December 1, of the year the plan opens, and annually thereafter, the board must declare the IRA interest rate for the following calendar year. Interest must be (1) allocated to IRAs, (2) computed at the stated interest rate on the balance of an eligible employee's account, and (3) compounded daily.

Employee Contribution Rates

The board must set a default contribution amount of at least 2% but not more than 5% of the employee's salary. The board may vary the amount according to the length of time that an eligible employee has contributed to the plan.

The board must, annually by December 1, notify all plan participants of any changes in the default contribution rate for the following calendar year. The first such notification must be by December 1 of the first year the plan opens for enrollment.

Plan participants may, at any time and on a form and in a manner prescribed by the board, elect to change their contribution level. (Apparently, this means a participant may increase his or her contribution.)

Administrative Fees and Expenses

Administrative fees must be allocated to each IRA on a pro rata basis. Annual administrative expenses must not exceed 1% of the total trust balance. All expenses, including employee costs, incurred to implement, maintain, advertise, and administer the plan must be paid from money collected by or for the trust.

§ 10 — PLAN ENROLLMENT

Not later than 90 calendar days after the board opens the plan for enrollment, qualified employers that do not offer another retirement saving option to employees must offer eligible employees a payroll deposit option to facilitate participation in the plan. Each qualified employer must enroll each eligible employee in the plan at the default contribution rate unless such employee elects to opt out.

Employee Opt-Out

An eligible employee can opt out of the plan by providing written notice, on a form and in a way the board may prescribe, to the board and his or her employer.

Following initial implementation of the plan and at least biennially

afterwards, qualified employers must designate an open enrollment period during which each eligible employee who previously opted out of the plan must opt out again or be enrolled. Any eligible employee not participating in the plan may enroll at any time by submitting written notice, on a form and in a manner the board may prescribe, to the board and his or her employer.

The board, in coordination with the labor commissioner, must disseminate information to employers regarding the employers' obligation under the bill.

Other Options

A qualified employer retains the option at all times to set up any type of employer-sponsored retirement plan, including a defined benefit retirement plan, a 401(k) defined contribution plan, a simplified employee pension plan, a savings incentive match plan, or an automatic enrollment payroll deduction IRA instead of offering the plan created under the bill.

An employer that establishes an employer-sponsored retirement plan can terminate payroll deposit into the state's plan as long as it notifies each eligible employee and plan participant within a reasonable time and in a manner the board prescribes.

Under the bill, employers who are not required to participate in the state plan because they are sponsoring their own plan, can allow their employees who are not eligible for the employer plan to join the state plan.

The bill also anticipates ways that employees can join the plan even if their employer is not required to do so. One is for employers with too few employees to require participation to allow their employees to participate. The bill also allows an employee whose employer is not required to participate to participate individually. Under this second method, since the employer is not participating, the employee will not be able to contribute via a payroll deduction.

§ 8 — PRIVATE RETIREMENT PLAN VENDOR WEBSITE

Before opening the plan under the bill, the board must establish a website to feature information about employer-sponsored retirement plans and take a number of steps related to posting vendor information on the website.

The bill defines a vendor as a company conducting business in the state that (1) is a regulated investment company or an insurance company or (2) provides payroll or recordkeeping services and offers retirement plans or payroll deposit IRA arrangements using products of regulated investment companies. It does not include individual registered representatives, brokers, financial planners or agents.

The board must:

1. establish and maintain a secure Internet website to (a) provide information about employer-sponsored retirement plans and payroll-deduction IRAs, and (b) assist qualified employers to identify retirement plan vendors they can use in lieu of participating in the bill's plan;
2. include the website address on any posting to the website or in other materials offered to the public regarding the program;
3. prior to implementing the website, and at least annually thereafter, provide notice to vendors (a) that the website is active, (b) that vendors may register for inclusion on the website, and (c) regarding the process for website inclusion; and
4. establish an appeals process for vendors denied registration or removed from the website pursuant to the bill.

Requirements for Registration

Each vendor that registers to be listed on the website must provide a:

1. statement of its experience providing employer-sponsored retirement plans and payroll-deduction IRAs in Connecticut and

other states, if applicable;

2. description of its retirement investment products; and
3. disclosure of all expenses paid directly or indirectly by retirement plan participants, including penalties for early withdrawals, declining or fixed withdrawal charges, surrender or deposit charges, management fees, and annual fees.

Vendors Bear Website Cost

Under the bill, the cost of the registration system and the website must be borne solely and equally by registered vendors, based on the total number of registered vendors. Since the bill also requires the website to be established before the fund's plan is offered and the website costs are borne by vendors, it appears possible that without participating vendors, the plan could not open.

Removal From Website

The board can remove a vendor from the website if the vendor:

1. submits materially inaccurate information,
2. does not remit assessed fees within 60 days from the assessment date, or
3. fails to submit to the board notice of any material change to the vendor's registered investment products.

Any vendor found to have submitted materially inaccurate information to the board must be allowed 60 calendar days to correct the information.

§ 11 — STAKEHOLDER INPUT

From time to time, the board must consider the opinions of eligible employees, plan participants, qualified employers, and other stakeholders in modifying the retirement plan by:

1. holding public hearings to allow eligible employees, plan

participants, qualified employers, and other stakeholders to comment on the plan, including the default contribution amounts, guaranteed interest rates, and fees charged;

2. surveying plan participants and qualified employers to assess their experience with the plan; and
3. assessing the marketplace of employer-sponsored retirement plan offerings to determine what is otherwise available to employees and residents in the state.

§ 12 — PROTECTIONS FOR EMPLOYERS

Under the bill, qualified employers are not be liable for an eligible employee's decision to participate in, or opt out of, the plan or for the investment performance of assets deposited in the trust.

Also, employers are not:

1. a fiduciary or considered to be a fiduciary of the plan;
2. responsible for the administration, investment, or investment performance of the plan; or
3. liable with regard to investment returns, plan design, or retirement income paid to plan participants.

A qualified employer's voluntary contribution made under the bill may not (1) create any of these liabilities or responsibilities or (2) change the employer's relationship to the plan or the employer's obligations to eligible employees.

§ 13 — PROTECTIONS FOR THE STATE

The bill specifies that the state is not liable for the payment of the IRA balance earned by plan participants.

Any financial liability for the payment of retirement account balances in excess of funds available in the trust must be borne by the entities with whom the treasurer contracts to provide insurance to

protect the value of the trust. Under another provision of the bill, the treasurer must procure financial liability insurance that she deems necessary (§ 5). It is not clear what would happen if she does not deem this insurance necessary and promised IRA account payments exceed available funds.

§ 14 — COMPLAINT PROCESS

The bill prohibits qualified employers, without good cause, from failing to allow an eligible employee to participate in the plan. The employers must remit all money intended for the trust within 14 calendar days after the date they were deducted from plan participants' wages.

Any eligible employee or plan participant aggrieved by a violation of the bill's provisions may file a complaint with the labor commissioner. Upon receipt of a complaint, the commissioner may hold a hearing. Any party aggrieved by the commissioner's decision may appeal it under the Uniform Administrative Procedure Act (UAPA see BACKGROUND).

§ 15 — BOARD REPORTS

The board must submit a report to the governor, Senate president, and House speaker, that includes, at a minimum, a summary of the plan design and operation, the number of participants, the average participant contribution, and the rates of return and administrative costs as a percent of total plan assets. The report is due by the later of August 1, 2015 or 90 days after the bill's criteria to start the trust and plan are met.

By January 1 following the first full year the trust and plan are in operation, the board must submit to the General Assembly, the governor, Senate president, and the House speaker, an annual audit, of the operations of the trust and plan prepared in accordance with generally accepted accounting principles by an independent certified accountant.

§ 16 — MARKET FEASIBILITY STUDY

The board must conduct a market feasibility study to determine whether the necessary conditions for implementing the bill can be met, including:

1. likely participation rates;
2. contribution levels;
3. rate of account closures and rollovers;
4. ability to provide employers with a payroll deposit system for remitting contributions from employees;
5. start-up funding options until the trust has enough funds to be self-sustaining; and
6. likely insurance costs, and whether the costs should be subject to the limit on annual administrative expenses.

The board must submit a report on the study's findings and any recommendations to the governor and the Labor Committee by December 15, 2014.

§ 17 — DETERMINATION OF TRUST AS FINANCIALLY SELF SUSTAINING AND EXEMPT FROM ERISA

Under the bill, the trust's retirement plan must clear two tests before it can be implemented.

First, the board must determine that, based on the bill's provisions and the required market analysis required, (1) the trust will be self-sustaining and (2) startup funds are available through a nonprofit or other private entity, federal funding, or state appropriation in amounts sufficient to allow the board to implement the trust's plan.

Second, the board must determine that (1) the arrangements for IRAs qualify for the favorable federal income tax treatment ordinarily accorded to IRAs under the IRC and (2) the trust's plan is determined not to be an employee benefit plan under the ERISA. If the plan were to be determined to be under ERISA regulatory control, it could

jeopardize the other state-administered retirement trust funds, which currently are not under ERISA. ERISA has fiduciary and other requirements that the various state funds do not currently have to meet.

BACKGROUND

UAPA

Under the UAPA, only an agency's final decision can be appealed to Superior Court. Final decisions are those resulting from a contested case where the affected party is given a right to a hearing. A "contested case" is an agency proceeding where a person's legal rights, duties, or privileges are determined by statute. UAPA regulates how agencies conduct contested cases, including (1) determining the parties, (2) setting notice requirements, (3) guiding the conduct and record of the hearing, and (4) setting rules for appeals.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable

Yea 7 Nay 3 (03/18/2014)