



House of Representatives

General Assembly

File No. 303

February Session, 2016

Substitute House Bill No. 5591

House of Representatives, March 30, 2016

The Committee on Labor and Public Employees reported through REP. TERCYAK of the 26th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CREATING THE CONNECTICUT RETIREMENT SECURITY PROGRAM.

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

1 Section 1. (NEW) (*Effective from passage*) As used in this section and
2 sections 2 to 12, inclusive, of this act:

3 (1) "Authority" means the Connecticut Retirement Security
4 Authority established pursuant to section 2 of this act;

5 (2) "Board" means the Connecticut Retirement Security Authority
6 board of directors established pursuant to section 2 of this act;

7 (3) "Contribution level" means (A) the contribution rate selected by
8 the participant that may be expressed as (i) a percentage of the
9 participant's taxable wages as is required to be reported under Sections
10 6041 and 6051 of the Internal Revenue Code of 1986, or any subsequent
11 corresponding internal revenue code of the United States, as amended
12 from time to time, or (ii) a dollar amount up to the maximum

13 deductible amount for the participant's taxable year under Section
14 219(b)(1) of the Internal Revenue Code of 1986, or any subsequent
15 corresponding internal revenue code of the United States, as amended
16 from time to time; or (B) in the absence of an affirmative election by the
17 participant, three per cent of the participant's taxable wages as is
18 required to be reported under Sections 6041 and 6051 of the Internal
19 Revenue Code of 1986, or any subsequent corresponding internal
20 revenue code of the United States, as amended from time to time, or
21 such other amount as determined by the authority;

22 (4) "Covered employee" means an individual (A) who has been
23 employed by a qualified employer for a period of not less than one
24 hundred twenty days, (B) who is nineteen years of age or older, (C)
25 who performs services within the state for purposes of section 31-222
26 of the general statutes, and (D) whose service or employment is not
27 excluded under the provisions of subdivision (5) of subsection (a) of
28 section 31-222 of the general statutes;

29 (5) "Participant" means any individual participating in the program;

30 (6) "Program" means the Connecticut Retirement Security Program
31 established pursuant to section 3 of this act;

32 (7) "Qualified employer" means any person, corporation, limited
33 liability company, firm, partnership, voluntary association, joint stock
34 association or other entity doing business in the state during the
35 calendar year, whether for profit or not for profit, that employed on
36 October first of the preceding calendar year five or more individuals in
37 the state and has paid not less than five of such individuals taxable
38 wages of not less than five thousand dollars in the preceding calendar
39 year. "Qualified employer" does not include: (A) The federal
40 government, (B) the state or any political subdivision thereof, (C) any
41 municipality, unit of a municipality or municipal housing authority,
42 (D) an employer employing only individuals whose services are
43 excluded under subdivision (5) of subsection (a) of section 31-222 of
44 the general statutes, or (E) an employer that was not in existence at all
45 times during the current calendar year and the preceding calendar

46 year;

47 (8) "Individual retirement account" means a Roth IRA or a
48 traditional IRA, as the case may be;

49 (9) "Roth IRA" means an account described in Section 408A of the
50 Internal Revenue Code of 1986, or any subsequent corresponding
51 internal revenue code of the United States, as amended from time to
52 time;

53 (10) "Traditional IRA" means an account described in Section 408 of
54 the Internal Revenue Code of 1986, or any subsequent corresponding
55 internal revenue code of the United States, as amended from time to
56 time; and

57 (11) "Normal retirement age" means sixty-five years of age or an
58 earlier age as is chosen by the participant, except that in no case can
59 the age be earlier than the age specified in Section 216(l)(1) of the Social
60 Security Act, 42 USC 416(l)(1), as amended from time to time.

61 Sec. 2. (NEW) (*Effective from passage*) (a) There is hereby established
62 and created a body politic and corporate, constituting a public
63 instrumentality and political subdivision of the state of Connecticut
64 established and created for the performance of an essential public and
65 governmental function, to be known as the Connecticut Retirement
66 Security Authority. The authority shall not be construed to be a
67 department, institution or agency of the state.

68 (b) The powers of the authority shall be vested in and exercised by a
69 board of directors, which shall consist of nine voting members, each a
70 resident of state, (1) the State Treasurer who shall serve as an ex officio
71 voting member; (2) the State Comptroller who shall serve as an ex
72 officio voting member; (3) one appointed by the speaker of the House
73 of Representatives who shall serve an initial term of four years; (4) one
74 appointed by the majority leader of the House of Representatives who
75 shall serve an initial term of four years; (5) one appointed by the
76 minority leader of the House of Representatives, who shall serve an

77 initial term of four years; (6) one appointed by the president pro
78 tempore of the Senate, who shall serve an initial term of four years; (7)
79 one appointed by the majority leader of the Senate, who shall serve an
80 initial term of four years; (8) one appointed by the minority leader of
81 the Senate, who shall serve an initial term of four years; and (9) one
82 appointed by the Governor, who shall serve an initial term of four
83 years. Thereafter, said members of the General Assembly and the
84 Governor shall appoint members of the board to succeed such
85 appointees whose terms expire and each member so appointed shall
86 hold office for a term of six years from July first in the year of his or her
87 appointment. Appointed members shall include: (A) An individual
88 with a favorable reputation for skill, knowledge and experience in the
89 interests of employees in retirement savings; (B) an individual with a
90 favorable reputation for skill, knowledge and experience in the
91 interests of employers in retirement savings; and (C) an individual
92 having a favorable reputation for skill, knowledge and experience in
93 offering retirement savings products or advice. Each ex-officio member
94 may designate such member's deputy or any member of such
95 member's staff to represent such member at meetings of the board with
96 full power to act and vote on such member's behalf.

97 (c) All appointments to the board shall be made not later than July
98 31, 2016. Any vacancy shall be filled by the appointing authority not
99 later than thirty calendar days after the office becomes vacant. Any
100 member previously appointed to the board may be reappointed.

101 (d) The Governor, with the advice and consent of both houses of the
102 General Assembly, shall select a chairperson of the board from among
103 the members of the board. The board shall annually elect a vice-
104 chairperson and such other officers as it deems necessary from among
105 its members. The board may appoint an executive director and
106 assistant executive director, who shall not be members of the board
107 and who shall serve at the pleasure of the board. The executive
108 director and assistant executive director shall be employees of the
109 authority and shall receive such compensation as prescribed by the
110 board.

111 (e) The members of the board shall serve without compensation but
112 shall, within available appropriations, be reimbursed in accordance
113 with the standard travel regulations for all necessary expenses that
114 they may incur through service on the board.

115 (f) (1) Each member of the board shall, not later than ten calendar
116 days after his or her appointment, take and subscribe the oath of
117 affirmation required by article XI, section 1, of the State Constitution.
118 Each member's term shall begin from the date the member takes such
119 oath. The oath shall be administered by the Secretary of the State and
120 shall be filed in the office of the Secretary of the State.

121 (2) Each member of the board authorized by resolution of the board
122 to handle funds or sign checks for the program, and any other
123 authorized officer, shall, not later than ten calendar days after the date
124 the board adopts such authorizing resolution, execute a surety bond in
125 the penal sum of fifty thousand dollars or, in lieu thereof, the
126 chairperson shall obtain a blanket position bond covering the executive
127 director and every member of the board and other employee or
128 authorized officer of the authority in the penal sum of fifty thousand
129 dollars. Each such bond shall be (A) conditioned upon the faithful
130 performance of the duties of the chairperson or the members, executive
131 director and other authorized officers or employees, as the case may
132 be, (B) executed by a surety company authorized to transact business
133 in the state as surety, and (C) filed in the office of the Secretary of the
134 State. The cost of each such bond shall be paid by the authority.

135 (g) An authorized officer or the executive director, if one is
136 appointed by the board pursuant to subsection (d) of this section, shall
137 supervise the administrative affairs and technical activities of the
138 program in accordance with the directives of the board. Such
139 authorized officer or executive director, as the case may be, shall keep
140 a record of the proceedings of the program and shall be custodian of
141 all books, documents and papers filed with the program, the minute
142 book or journal of the program and its official seal. Such authorized
143 officer or executive director, as the case may be, may cause copies to be

144 made of all minutes and other records and documents of the program
145 and may give certificates under the official seal of the program to the
146 effect that such copies are true copies, and all persons dealing with the
147 program may rely upon such certificates.

148 (h) Four members of the board shall constitute a quorum for the
149 transaction of any business or the exercise of any power of the
150 authority. Each member shall be entitled to one vote on the board.

151 (i) (1) No member of the board or any officer, agent or employee of
152 the authority shall, directly or indirectly, have any financial interest in
153 any corporation, business trust, estate, trust, partnership or
154 association, two or more persons having a joint or common interest, or
155 any other legal or commercial entity contracting with the authority.
156 Any individual who violates the provisions of this subsection shall be
157 fined not less than fifty dollars nor more than one thousand dollars or
158 imprisoned not more than thirty days, or both.

159 (2) Notwithstanding the provisions of subdivision (1) of this
160 subsection or any other section of the general statutes, it shall not be a
161 conflict of interest or a violation of the provisions of said subdivision
162 or any other section of the general statutes for a trustee, director,
163 officer or employee of a bank, investment advisor, investment
164 company or investment banking firm, or a person having the required
165 favorable reputation for skill, knowledge and experience in retirement
166 savings, to serve as a member of the board, provided, in each case to
167 which the provisions of this subdivision are applicable, such trustee,
168 director, officer or employee of such a firm abstains from discussion,
169 deliberation, action and vote by the board in specific respect to any
170 undertaking pursuant to this section or sections 3 to 11, inclusive, of
171 this act in which such firm has a direct interest separate from the
172 interests of all similar firms generally.

173 (j) The board, on behalf of the authority, and for the purpose of
174 implementing the Connecticut Retirement Security Program
175 established pursuant to section 3 of this act, shall adopt written
176 procedures in accordance with the provisions of section 1-121 of the

177 general statutes for the purposes of:

178 (1) Adopting an annual budget and plan of operations, including a
179 requirement of board approval before such budget or plan may take
180 effect;

181 (2) Hiring, dismissing, promoting and compensating employees of
182 the authority, instituting an affirmative action policy and requiring
183 board approval before a position may be created or a vacancy filled;

184 (3) Acquiring real and personal property and personal services,
185 including requiring board approval for any nonbudgeted expenditure
186 in excess of five thousand dollars;

187 (4) Contracting for financial, legal and other professional services,
188 and requiring that the authority solicit proposals not less than every
189 three years for each such service used by the board or authority, except
190 for any firm that contracts to provide custodial, recordkeeping or other
191 services for the provision of an individual retirement account such
192 solicitation shall be not less than every ten years; and

193 (5) Using surplus funds to the extent authorized under this act or
194 other provisions of the general statutes.

195 (k) The authority shall continue as long as the program remains in
196 effect and until its existence is terminated by law. Upon termination of
197 the existence of the authority, all its rights and properties shall pass to
198 and be vested in the state of Connecticut.

199 (l) The provisions of this section and section 1-125 of the general
200 statutes, as amended by this act, shall apply to any member, director or
201 employee of the authority. No person shall be subject to civil liability
202 for the debts, obligations or liabilities of the authority as provided in
203 this section and section 1-125 of the general statutes, as amended by
204 this act.

205 Sec. 3. (NEW) (*Effective from passage*) (a) There is established the
206 Connecticut Retirement Security Program the purpose of which shall

207 be to promote and enhance retirement savings for private sector
208 employees in the state. The board of directors of the Connecticut
209 Retirement Security Authority may:

210 (1) Adopt bylaws for the regulation of the affairs of the board and
211 the conduct of its business;

212 (2) Adopt an official seal and alter the same at the pleasure of the
213 board;

214 (3) Maintain an office at such place or places in the state as the board
215 may designate;

216 (4) Sue and be sued in its own name;

217 (5) Establish criteria and guidelines for the retirement programs to
218 be offered pursuant to this section and sections 4 to 11 of this act;

219 (6) Receive and invest moneys in the program in any instruments,
220 obligations, securities or property in accordance with section 8 of this
221 act;

222 (7) Contract with financial institutions or other organizations
223 offering or servicing retirement programs. The authority may require
224 that each participant be charged a fee to defray the costs of the
225 program. The amount and method of collection of such fee shall be
226 determined by the authority;

227 (8) Employ attorneys, accountants, consultants, financial experts,
228 loan processors, banks, managers and such other employees and
229 agents as may be necessary in the board's judgment, and to fix the
230 compensation of such individuals;

231 (9) Charge and equitably apportion among participants the
232 administrative costs and expenses incurred in the exercise of the
233 board's powers and duties as granted by this section;

234 (10) Borrow working capital funds and other funds as may be
235 necessary for the start-up and continuing operation of the program,

236 provided such funds are borrowed in the name of the authority only.
237 Such borrowings shall be payable solely from revenues of the
238 authority;

239 (11) Make and enter into contracts or agreements with professional
240 service providers, including, but not limited to, financial consultants
241 and lawyers, as may be necessary or incidental to the performance of
242 the board's duties and the execution of its powers under this section;

243 (12) Establish policies and procedures for the protection of program
244 participants' personal and confidential information; and

245 (13) Do all things necessary or convenient to carry out the
246 provisions of sections 2 to 11, inclusive, of this act.

247 (b) The board of directors of the Connecticut Retirement Security
248 Authority shall enter into memoranda of understanding with the
249 Labor Department and other state agencies regarding (1) the gathering
250 or dissemination of information necessary for the operations of the
251 program, subject to such obligations of confidentiality as may be
252 agreed or required by law, (2) the sharing of costs incurred pursuant to
253 the gathering and dissemination of such information, and (3) the
254 reimbursement of costs for any enforcement activities conducted
255 pursuant to section 10 of this act. Each state agency may also enter into
256 such memoranda of understanding.

257 Sec. 4. (NEW) (*Effective from passage*) (a) The Connecticut Retirement
258 Security Authority board of directors shall prepare informational
259 materials regarding the Connecticut Retirement Security Program for
260 distribution by qualified employers to plan participants and
261 prospective plan participants pursuant to section 7 of this act. Such
262 informational materials shall include, but need not be limited to:

263 (1) The benefits and risks associated with making contributions to or
264 making withdrawals from the program;

265 (2) The process for making contributions to the program, including
266 a contribution election form;

267 (3) Clear and conspicuous notice regarding the default contribution
268 level;

269 (4) The process by which a participant may opt out of the program
270 by electing a contribution level of zero;

271 (5) The process for withdrawing retirement savings from the
272 program, including an explanation of how the tax treatment of
273 withdrawals may differ between a Roth IRA and a traditional IRA
274 available under the program;

275 (6) The process by which a participant may obtain additional
276 information on the program, including information regarding
277 investment options available under the program; and

278 (7) Such other information as the board may deem necessary or
279 advisable to provide to participants, potential participants and
280 qualified employers in the state.

281 (b) Not less than quarterly, the board shall provide a statement to
282 each participant that shall include, but need not be limited to, the
283 following information:

284 (1) The account balance in a participant's individual retirement
285 account, including the value of the participant's investment in each
286 investment option selected by the participant;

287 (2) The various investment options available to each participant and
288 the process by which a participant may select investment options for
289 his or her contributions in accordance with subsection (b) of section 31-
290 71j of the general statutes, as amended by this act, or as prescribed by
291 the authority;

292 (3) The amount of fees charged to each participant's individual
293 retirement account and a description of the services to which such
294 charges relate; and

295 (4) At the election of the board, an estimate of the amount of income

296 the account is projected to generate for a participant's retirement based
297 on reasonable assumptions.

298 (c) Not less than annually, the board shall provide each participant
299 with notification regarding fees that may be imposed through the
300 program and information regarding the various investment options
301 that may be available to participants. The board may provide such
302 notification and information in the form of a prospectus or similar
303 document.

304 (d) The board, on behalf of the authority, may adopt policies and
305 procedures in accordance with the provisions of section 1-121 of the
306 general statutes for the electronic dissemination of any notices or
307 information required to be provided to participants, potential
308 participants and qualified employers pursuant to the provisions of this
309 section.

310 Sec. 5. (NEW) (*Effective from passage*) (a) The Connecticut Retirement
311 Security Program shall provide for the establishment and maintenance
312 of an individual retirement account for each program participant. Such
313 individual retirement account shall be established and maintained
314 through the program or a third-party entity in the business of
315 establishing and maintaining individual retirement accounts. Program
316 assets shall be held in trust or custodial accounts meeting the
317 requirements of Section 408(a) or (c) of the Internal Revenue Code of
318 1986, or any subsequent corresponding internal revenue code of the
319 United States, as amended from time to time, or any other applicable
320 federal law requirements. Each participant shall have the right to elect
321 whether to contribute to a traditional IRA or a Roth IRA. In the
322 absence of a participant's affirmative election, a Roth IRA shall be
323 established for the participant.

324 (b) Interest, investment earnings and investment losses shall be
325 allocated to each participant's individual retirement account. A
326 participant's benefit under the program shall be equal to the balance in
327 such participant's individual retirement account as of any applicable
328 measurement date prescribed by the program.

329 (c) The Connecticut Retirement Security Authority shall establish, or
330 cause to be established, processes to prevent a participant's
331 contributions to the program from exceeding the maximum amount of
332 deduction under 26 USC 219(b)(1) for the participant's tax year.

333 (d) The state shall not be liable for the payment of any benefit to any
334 participant or beneficiary of any participant and shall not be liable for
335 any liability or obligation of the authority. The authority shall not be
336 liable for the payment of any benefit to any participant or beneficiary
337 of any participant, except with respect to any individual retirement
338 accounts established and maintained by the authority.

339 Sec. 6. (NEW) (*Effective from passage*) (a) The Connecticut Retirement
340 Security Authority board of directors, in conducting the business of the
341 authority, including its oversight functions, shall act: (1) With the care,
342 skill, prudence and diligence under the circumstances then prevailing
343 that a prudent person acting in a like capacity and familiar with such
344 matters would use in the conduct of an enterprise of like character and
345 with like aims; (2) solely in the interests of the program's participants
346 and beneficiaries; (3) for the exclusive purposes of providing benefits
347 to participants and beneficiaries and defraying reasonable expenses of
348 administering the program; and (4) in accordance with the provisions
349 of sections 2 to 11, inclusive, of this act and any other applicable
350 sections of the general statutes.

351 (b) The board shall, to the extent reasonable and practicable, require
352 any agents engaged or appointed by the authority to abide by the
353 standard of care described in subsection (a) of this section.

354 Sec. 7. (NEW) (*Effective from passage*) (a) (1) Not later than July 1,
355 2017, and annually thereafter, each qualified employer shall provide
356 each of its covered employees with the informational materials
357 prepared by the Connecticut Retirement Security Authority board of
358 directors pursuant to section 4 of this act. For any employee of a
359 qualified employer who (A) is hired on or after July 1, 2017, or (B) does
360 not meet the definition of covered employee pursuant to section 1 of
361 this act, such qualified employer shall provide such informational

362 materials to such employee not later than thirty days, or such other
363 time period as prescribed by the authority, after (i) the date of such
364 employee's hiring, or (ii) the date such employee meets the definition
365 of covered employee pursuant to section 1 of this act.

366 (2) Not later than sixty days after a qualified employer provides
367 informational materials to a covered employee in accordance with
368 subsection (a) of this section, or such other time period as prescribed
369 by the authority, and subject to the provisions of subdivision (3) of this
370 subsection, such qualified employer shall automatically enroll each of
371 its covered employees in the program at the participant's contribution
372 level in accordance with the provisions of section 31-71j of the general
373 statutes, as amended by this act.

374 (3) A covered employee may opt out of the program by electing a
375 contribution level of zero.

376 (4) (A) A qualified employer that (i) maintains a retirement plan or
377 retirement arrangement described under Section 219(g)(5) of the
378 Internal Revenue Code of 1986, or any subsequent corresponding
379 internal revenue code of the United States, as amended from time to
380 time, or (ii) any other retirement arrangement approved by the
381 authority, shall be exempt from the requirements of subdivisions (1)
382 and (2) of this subsection.

383 (B) A qualified employer shall not be considered to maintain a
384 retirement plan or retirement arrangement described under said
385 Section 219(g)(5) or any other retirement arrangement approved by the
386 authority pursuant to subparagraph (A) of this subdivision, if the
387 authority determines that (i) as of the first day of the previous calendar
388 year, no new participant was eligible to be enrolled in a retirement
389 plan or retirement arrangement maintained by such qualified
390 employer, and (ii) on and after the first day of the previous calendar
391 year, no contributions were made to such retirement plan or retirement
392 arrangement by or on behalf of a participant in such plan or
393 arrangement.

394 (5) The authority may defer the effective date of the program, in
395 whole or in part, and for particular categories of employers, as the
396 authority deems necessary to effectuate the purposes of sections 2 to
397 11, inclusive, of this act in a manner that minimizes the disruption and
398 burdens that may exist for any qualified employer.

399 (b) An employer that does not otherwise meet the definition of a
400 qualified employer may make the program available to its employees
401 subject to such rules and procedures as may be prescribed by the
402 authority and in accordance with the provisions of subsection (a) of
403 this section, except no such employer shall require any employee to
404 enroll in the program.

405 (c) Any individual who is not enrolled in the program pursuant to
406 subsection (a) of this section may participate in the program at any
407 time subject to such rules and procedures as the authority may
408 prescribe. The authority shall provide the informational materials
409 described in subdivision (1) of subsection (a) of this section to any such
410 individual at or before the time of such individual's enrollment in the
411 program.

412 (d) To the extent permitted under the Internal Revenue Code of
413 1986, or any subsequent corresponding internal revenue code of the
414 United States, as amended from time to time, the authority shall allow
415 any individual to establish or contribute to an individual retirement
416 account maintained for such individual under the program by rolling
417 over funds from an existing retirement savings account of the
418 individual.

419 (e) A qualified employer that withholds a contribution from a
420 covered employee's compensation in connection with the program
421 shall transmit such contribution on the earliest date the amount
422 withheld from the covered employee's compensation can reasonably
423 be segregated from the qualified employer's assets, but not later than
424 the fifteenth business day of the month following the month in which
425 the covered employee's contribution amounts are withheld from his or
426 her paycheck.

427 (f) No qualified employer shall be permitted to make a contribution
428 to the program.

429 Sec. 8. (NEW) (*Effective from passage*) The Connecticut Retirement
430 Security Authority shall provide for each participant's account to be
431 invested in (1) an age-appropriate target date fund, except as provided
432 in subsection (b) of section 9 of this act, or (2) such other investment
433 vehicles as the authority may prescribe.

434 Sec. 9. (NEW) (*Effective from passage*) (a) The Connecticut Retirement
435 Security Authority shall establish rules and procedures governing the
436 distribution of funds from the program. Such rules and procedures
437 shall allow for such distributions as may be permitted or required by
438 the program and any applicable provisions of the Internal Revenue
439 Code of 1986, or any subsequent corresponding internal revenue code
440 of the United States, as amended from time to time.

441 (b) The program shall include the following design features
442 prescribed by the authority, provided the authority determines such
443 features to be feasible and cost effective:

444 (1) Designate a lifetime income investment for the program
445 intended to provide participants with a source of retirement income
446 for life;

447 (2) Provide to each participant, one year in advance of the
448 participant's normal retirement age, a disclosure explaining (A) the
449 rights and features of the lifetime income investment; (B) that once the
450 participant reaches normal retirement age, fifty per cent of the
451 participant's account will be invested in the lifetime income
452 investment; and (C) that the participant may elect to invest a higher
453 percentage of his or her account balance in the lifetime income option;

454 (3) On the date a participant reaches his or her normal retirement
455 age, invest fifty per cent of the participant's account balance, or such
456 higher amount as specified by the participant, in the lifetime income
457 investment;

458 (4) Permit each participant to elect a date not earlier than his or her
459 normal retirement age on which to begin receiving distributions,
460 provided, in the absence of an election, such distributions shall
461 commence not later than ninety days after the participant reaches his
462 or her normal retirement age; and

463 (5) Establish procedures whereby each participant may elect to
464 invest a higher percentage of his or her account balance in the lifetime
465 income investment.

466 Sec. 10. (NEW) (*Effective from passage*) (a) The Attorney General may
467 investigate any violation of section 6 of this act. If the Attorney General
468 finds that any member of the Connecticut Retirement Security
469 Authority board of directors, or any agent engaged or appointed by
470 the board or the authority has violated or is violating any provision of
471 said section, the Attorney General may bring a civil action in the
472 superior court for the judicial district of Hartford under this section in
473 the name of the state against such member or agent. The remedies
474 available to a court in any such action shall be limited to injunctive
475 relief. Nothing in this section shall be construed to create a private
476 right of action.

477 (b) If a qualified employer fails to remit contributions to the
478 program in the time period specified in subsection (e) of section 7 of
479 this act, such failure to remit such contributions shall be a violation of
480 section 31-71e of the general statutes, as amended by this act.

481 (c) If a qualified employer fails to enroll a covered employee as
482 required under subsection (a) of section 7 of this act, such covered
483 employee, or the Labor Commissioner, may bring a civil action to
484 require the qualified employer to enroll the covered employee and
485 shall recover such costs and reasonable attorney's fees as may be
486 allowed by the court.

487 Sec. 11. (NEW) (*Effective from passage*) (a) The Connecticut
488 Retirement Security Authority shall keep an accurate account of all its
489 activities, receipts and expenditures and shall submit, in accordance

490 with the provisions of section 11-4a of the general statutes, a report
491 detailing such activities, receipts and expenditures to the Connecticut
492 Retirement Security Authority board of directors, the Governor, the
493 Office of Auditors of Public Accounts and the joint standing
494 committees of the General Assembly having cognizance of matters
495 relating to labor and finance, revenue and bonding on or before
496 December thirty-first annually. Such report shall be in a form
497 prescribed by the board and shall include projected activities of the
498 authority for the next fiscal year and shall be subject to approval by the
499 Auditors of Public Accounts.

500 (b) The Auditors of Public Accounts may conduct a full audit of the
501 books and accounts of the authority pertaining to such activities,
502 receipts and expenditures, personnel, services or facilities, in
503 accordance with the provisions of section 2-90 of the general statutes.
504 For the purposes of such audit, the Auditors of Public Accounts shall
505 have access to the properties and records of the authority, and may
506 prescribe methods of accounting and the rendering of periodical
507 reports in relation to projects undertaken by the authority.

508 (c) The authority shall enter into memoranda of understanding with
509 the State Comptroller pursuant to which the authority shall provide, in
510 such form and manner as prescribed by the State Comptroller,
511 information that may include, but need not be limited to, the current
512 revenues and expenses of the authority, the sources or recipients of
513 such revenues or expenses, the date such revenues or expenses were
514 received or dispersed and the amount and the category of such
515 revenues or expenses. The State Comptroller may also enter into such
516 memoranda of understanding.

517 Sec. 12. (*Effective from passage*) The Connecticut Retirement Security
518 Authority may study the feasibility of the state or the authority making
519 available to employers a multiple-employer 401(k) plan or other tax-
520 favored retirement savings vehicle.

521 Sec. 13. Subdivision (12) of section 1-79 of the 2016 supplement to
522 the general statutes is repealed and the following is substituted in lieu

523 thereof (*Effective July 1, 2016*):

524 (12) "Quasi-public agency" means Connecticut Innovations,
525 Incorporated, the Connecticut Health and Education Facilities
526 Authority, the Connecticut Higher Education Supplemental Loan
527 Authority, the Connecticut Student Loan Foundation, the Connecticut
528 Housing Finance Authority, the State Housing Authority, the Materials
529 Innovation and Recycling Authority, the Capital Region Development
530 Authority, the Connecticut Lottery Corporation, the Connecticut
531 Airport Authority, the Connecticut Health Insurance Exchange, the
532 Connecticut Green Bank, the Connecticut Retirement Security
533 Authority, the Connecticut Port Authority and the State Education
534 Resource Center.

535 Sec. 14. Subdivision (1) of section 1-120 of the 2016 supplement to
536 the general statutes is repealed and the following is substituted in lieu
537 thereof (*Effective July 1, 2016*):

538 (1) "Quasi-public agency" means Connecticut Innovations,
539 Incorporated, the Connecticut Health and Educational Facilities
540 Authority, the Connecticut Higher Education Supplemental Loan
541 Authority, the Connecticut Student Loan Foundation, the Connecticut
542 Housing Finance Authority, the Connecticut Housing Authority, the
543 Materials Innovation and Recycling Authority, the Capital Region
544 Development Authority, the Connecticut Lottery Corporation, the
545 Connecticut Airport Authority, the Connecticut Health Insurance
546 Exchange, the Connecticut Green Bank, the Connecticut Retirement
547 Security Authority, the Connecticut Port Authority and the State
548 Education Resource Center.

549 Sec. 15. Section 1-124 of the 2016 supplement to the general statutes
550 is repealed and the following is substituted in lieu thereof (*Effective July*
551 *1, 2016*):

552 (a) Connecticut Innovations, Incorporated, the Connecticut Health
553 and Educational Facilities Authority, the Connecticut Higher
554 Education Supplemental Loan Authority, the Connecticut Student

555 Loan Foundation, the Connecticut Housing Finance Authority, the
556 Connecticut Housing Authority, the Materials Innovation and
557 Recycling Authority, the Connecticut Airport Authority, the Capital
558 Region Development Authority, the Connecticut Health Insurance
559 Exchange, the Connecticut Green Bank, the Connecticut Retirement
560 Security Authority, the Connecticut Port Authority and the State
561 Education Resource Center shall not borrow any money or issue any
562 bonds or notes which are guaranteed by the state of Connecticut or for
563 which there is a capital reserve fund of any kind which is in any way
564 contributed to or guaranteed by the state of Connecticut until and
565 unless such borrowing or issuance is approved by the State Treasurer
566 or the Deputy State Treasurer appointed pursuant to section 3-12. The
567 approval of the State Treasurer or said deputy shall be based on
568 documentation provided by the authority that it has sufficient
569 revenues to (1) pay the principal of and interest on the bonds and notes
570 issued, (2) establish, increase and maintain any reserves deemed by the
571 authority to be advisable to secure the payment of the principal of and
572 interest on such bonds and notes, (3) pay the cost of maintaining,
573 servicing and properly insuring the purpose for which the proceeds of
574 the bonds and notes have been issued, if applicable, and (4) pay such
575 other costs as may be required.

576 (b) To the extent Connecticut Innovations, Incorporated, the
577 Connecticut Higher Education Supplemental Loan Authority, the
578 Connecticut Student Loan Foundation, the Connecticut Housing
579 Finance Authority, the Connecticut Housing Authority, the Materials
580 Innovation and Recycling Authority, the Connecticut Health and
581 Educational Facilities Authority, the Connecticut Airport Authority,
582 the Capital Region Development Authority, the Connecticut Health
583 Insurance Exchange, the Connecticut Green Bank, the Connecticut
584 Retirement Security Authority, the Connecticut Port Authority or the
585 State Education Resource Center is permitted by statute and
586 determines to exercise any power to moderate interest rate fluctuations
587 or enter into any investment or program of investment or contract
588 respecting interest rates, currency, cash flow or other similar
589 agreement, including, but not limited to, interest rate or currency swap

590 agreements, the effect of which is to subject a capital reserve fund
591 which is in any way contributed to or guaranteed by the state of
592 Connecticut, to potential liability, such determination shall not be
593 effective until and unless the State Treasurer or his or her deputy
594 appointed pursuant to section 3-12 has approved such agreement or
595 agreements. The approval of the State Treasurer or his or her deputy
596 shall be based on documentation provided by the authority that it has
597 sufficient revenues to meet the financial obligations associated with the
598 agreement or agreements.

599 Sec. 16. Section 1-125 of the 2016 supplement to the general statutes
600 is repealed and the following is substituted in lieu thereof (*Effective July*
601 *1, 2016*):

602 The directors, officers and employees of Connecticut Innovations,
603 Incorporated, the Connecticut Higher Education Supplemental Loan
604 Authority, the Connecticut Student Loan Foundation, the Connecticut
605 Housing Finance Authority, the Connecticut Housing Authority, the
606 Materials Innovation and Recycling Authority, including ad hoc
607 members of the Materials Innovation and Recycling Authority, the
608 Connecticut Health and Educational Facilities Authority, the Capital
609 Region Development Authority, the Connecticut Airport Authority,
610 the Connecticut Lottery Corporation, the Connecticut Health Insurance
611 Exchange, the Connecticut Green Bank, the Connecticut Retirement
612 Security Authority, the Connecticut Port Authority and the State
613 Education Resource Center and any person executing the bonds or
614 notes of the agency shall not be liable personally on such bonds or
615 notes or be subject to any personal liability or accountability by reason
616 of the issuance thereof, nor shall any director or employee of the
617 agency, including ad hoc members of the Materials Innovation and
618 Recycling Authority, be personally liable for damage or injury, not
619 wanton, reckless, wilful or malicious, caused in the performance of his
620 or her duties and within the scope of his or her employment or
621 appointment as such director, officer or employee, including ad hoc
622 members of the Materials Innovation and Recycling Authority. The
623 agency shall protect, save harmless and indemnify its directors,

624 officers or employees, including ad hoc members of the Materials
625 Innovation and Recycling Authority, from financial loss and expense,
626 including legal fees and costs, if any, arising out of any claim, demand,
627 suit or judgment by reason of alleged negligence or alleged
628 deprivation of any person's civil rights or any other act or omission
629 resulting in damage or injury, if the director, officer or employee,
630 including ad hoc members of the Materials Innovation and Recycling
631 Authority, is found to have been acting in the discharge of his or her
632 duties or within the scope of his or her employment and such act or
633 omission is found not to have been wanton, reckless, wilful or
634 malicious.

635 Sec. 17. Section 31-71e of the general statutes is repealed and the
636 following is substituted in lieu thereof (*Effective July 1, 2016*):

637 No employer may withhold or divert any portion of an employee's
638 wages unless (1) the employer is required or empowered to do so by
639 state or federal law, or (2) the employer has written authorization from
640 the employee for deductions on a form approved by the commissioner,
641 or (3) the deductions are authorized by the employee, in writing, for
642 medical, surgical or hospital care or service, without financial benefit
643 to the employer and recorded in the employer's wage record book, or
644 (4) the deductions are for contributions attributable to automatic
645 enrollment, as defined in section 31-71j, as amended by this act, in a
646 retirement plan described in Section 401(k), 403(b), 408, 408A or 457 of
647 the Internal Revenue Code of 1986, or any subsequent corresponding
648 internal revenue code of the United States, as from time to time
649 amended, established by the employer, or in the Connecticut
650 Retirement Security Program established pursuant to section 3 of this
651 act, or (5) the employer is required under the law of another state to
652 withhold income tax of such other state with respect to (A) employees
653 performing services of the employer in such other state, or (B)
654 employees residing in such other state.

655 Sec. 18. Section 31-71j of the general statutes is repealed and the
656 following is substituted in lieu thereof (*Effective July 1, 2016*):

657 (a) As used in this section: (1) "Automatic enrollment" means a plan
658 provision in an employee retirement plan described in Section 401(k)
659 or 403(b) of the Internal Revenue Code of 1986, or any subsequent
660 corresponding internal revenue code of the United States, as from time
661 to time amended, or a governmental deferred compensation plan
662 described in Section 457 of said Internal Revenue Code, or a payroll
663 deduction Individual Retirement Account plan described in Section
664 408 or 408A of said Internal Revenue Code, or the Connecticut
665 Retirement Security Program established pursuant to section 3 of this
666 act, under which an employee is treated as having elected to have the
667 employer make a specified contribution to the plan equal to a
668 percentage of compensation specified in the plan until such employee
669 affirmatively elects to not have such contribution made or elects to
670 make a contribution in another amount; and (2) "automatic
671 contribution arrangement" means an arrangement under an automatic
672 enrollment plan under which, in the absence of an investment election
673 by the participating employee, contributions made under such plan are
674 invested in accordance with regulations prescribed by the United
675 States Secretary of Labor under Section 404(c)(5) of the Employee
676 Retirement Income Security Act of 1974, as amended from time to
677 time.

678 (b) Any employer who provides automatic enrollment shall be
679 relieved of liability for the investment decisions made by the employer
680 or the Connecticut Retirement Security Authority pursuant to section 8
681 of this act on behalf of any participating employee under an automatic
682 contribution arrangement, provided:

683 (1) The plan allows the participating employee at least quarterly
684 opportunities to select investments for the employee's contributions
685 between investment alternatives available under the plan;

686 (2) The employee is given notice of the investment decisions that
687 will be made in the absence of the employee's direction, a description
688 of all the investment alternatives available under the plan and a brief
689 description of procedures available for the employee to change

690 investments; and

691 (3) The employee is given at least annual notice of the actual
692 investments made on behalf of the employee under such automatic
693 contribution arrangement.

694 (c) Nothing in this section shall modify any existing responsibility of
695 employers or other plan officials for the selection of investment funds
696 for participating employees.

697 (d) The relief from liability of the employer under this section shall
698 extend to any other plan official who actually makes the investment
699 decisions on behalf of participating employees under an automatic
700 contribution arrangement.

701 Sec. 19. Sections 31-410 to 31-415, inclusive, of the general statutes
702 are repealed. (*Effective July 1, 2016*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage</i>	New section
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>from passage</i>	New section
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	New section
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>July 1, 2016</i>	1-79(12)
Sec. 14	<i>July 1, 2016</i>	1-120(1)
Sec. 15	<i>July 1, 2016</i>	1-124
Sec. 16	<i>July 1, 2016</i>	1-125
Sec. 17	<i>July 1, 2016</i>	31-71e
Sec. 18	<i>July 1, 2016</i>	31-71j
Sec. 19	<i>July 1, 2016</i>	Repealer section

LAB *Joint Favorable Subst.*

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 17 \$	FY 18 \$
Department of Revenue Services	GF - Potential Revenue Loss	Zero to 10 million	Zero to 10 million

Note: GF=General Fund

Municipal Impact: None

Explanation

Explanation

The bill establishes the Connecticut Retirement Security Authority (CRSA), a quasi-public state agency governed by a board of directors, which may be supported from administrative fees charged to participating members. The authority is tasked with establishing and implementing the Connecticut Retirement Security Program (CRSP).

The bill specifies that the retirement accounts established under the CRSP be either Roth (default) or traditional IRA, both of which offer tax-advantaged status under federal and state income tax law. Based on the assumptions regarding opt-out rates and covered population included in the market feasibility study of the CRSP, this results in a potential annualized General Fund revenue loss of zero to \$10 million beginning as early as FY 17 (timing is dependent upon when the program is actually implemented). To the extent all plan participants utilize the default Roth IRA option; there is no revenue impact through FY 21.¹ To the extent all plan participants utilize the traditional IRA

¹ Contributions to Roth IRAs are not deductible for income tax purposes at the time the contribution is made, but earnings and qualified withdrawals are not taxed. Generally, earnings withdrawn within five tax years of the contribution are subject to penalty and taxation.

option; there is an estimated annualized revenue loss of up to \$10 million due to the immediate deductibility of CRSP contributions against the Personal Income Tax.

The bill is not anticipated to result in a cost to the state in general from the CRSA/CRSP as (1) the authority is not considered a state agency and therefore its employees are not considered state employees, (2) the state is not liable for benefits payable to account holders, (3) the state and municipalities are not considered qualified employers and therefore not subject to the participation requirements of the bill, and (4) any funds borrowed by the authority are to be borrowed in the name of the authority and payable from revenues of the authority. The source of working capital funds and other necessary start-up costs are not specified in the bill. The estimated start-up cost for the CRSA/CRSP is estimated to be at least \$500,000 to \$1 million, and a commiserate amount annually thereafter to run the CRSA.² At a 3% contribution rate, it is anticipated the CRSA/CRSP may be financially self-sustaining three to four years after the program starts. Therefore, any start-up capital may be repaid within five to eight years after the program is implemented.³ There may be cost to the state to the extent that the state provides the start-up funds for the program. However, the bill does not require the state to participate financially in the program.

The provisions of the bill relating to the State Treasurer, Attorney General, State Comptroller and Auditors of Public Accounts do not result in a fiscal impact to those state agencies as the bill's provisions are within the agencies' scope of duties. There is not anticipated to be a cost to the Department of Labor (DOL) as the bill does not establish reporting requirements or another relationship between the department and participating employers.

The Out Years

² The estimate assumes the authority is physically within an existing state agency. To the extent the authority procures separate office space there will be an additional cost. (*Connecticut Retirement Security Board: Market Feasibility Study, January 1, 2016*)

³ *Ibid.*, 1, p. 37

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

Sources: State of Connecticut Retirement Security Board Market Feasibility Study

OLR Bill Analysis**sHB 5591*****AN ACT CREATING THE CONNECTICUT RETIREMENT SECURITY PROGRAM.*****SUMMARY:**

This bill creates the Connecticut Retirement Security Authority (“authority”) to establish a program for individual retirement accounts (IRAs) for eligible private-sector employees, who are automatically enrolled in the plan unless they opt out. The authority is administered by a nine-member Connecticut Retirement Security Authority Board, which the bill establishes as a quasi-public authority under state law.

The bill’s requirements apply to all “qualified employers,” i.e., private sector employers that employ at least five people each of whom was paid at least \$5,000 in wages in the preceding calendar year. “Covered employees” are those who have worked for a qualified employer for a minimum of 120 days and are at least 19 years old.

Qualified employers must automatically enroll each covered employee in the program no later than 60 days after the employer provides the employee with informational material on the program the bill requires. If the employee does not affirmatively opt in (contribution options are provided) the employer must enroll the employee with a contribution of 3% of the employee’s taxable wages (up to normal IRS limits). A covered employee may opt out of the program by electing a contribution level of zero.

The bill authorizes the authority to charge administrative fees to help defray the cost of the program.

It also contains penalties for employers that fail to remit contributions or that fail to enroll employees.

Under the bill, the individual IRAs will be established and maintained through the authority's program or a third-party entity in the business of establishing and maintaining IRAs. Program assets will be held in trust or custodial accounts meeting IRS requirements.

The bill requires the authority to offer IRAs with a number of specified features, including options for age-appropriate target date funds and procedures for distributions from individual accounts in accordance with applicable IRS rules. In the absence of a participant's affirmative election, the authority will automatically select a traditional IRA. Interest, investment earnings, and investment losses will be allocated to each participant's IRA. A participant's benefit under the program will be equal to the balance in such participant's IRA as of any applicable measurement date set for the program.

The bill provides that the powers of the authority will be vested in a board of directors. The governor selects the board chair with the advice and consent of the General Assembly. The board or its executive director, if one is appointed, will supervise the program's administrative affairs and activities. The bill requires the board to adopt written procedures regarding, among other issues, annual budgets and hiring employees.

It requires the authority's board members to act with care and solely in the interests of the program participants. It also authorizes the attorney general to investigate violations of this requirement and to seek injunctive relief regarding violations.

EFFECTIVE DATE: Upon passage for the provisions creating the authority and its board, requiring the authority to establish procedures and the IRA program, and July 1, 2016 for the provisions conforming the authority with existing quasi-public law and payroll deduction law.

§ 1 — DEFINITIONS

Under the bill:

1. “contribution level” means (a) the contribution rate the participant selects that may be (I) a percentage of the participant's taxable wages reported to the IRS or (II) a dollar amount up to the maximum annual IRS deductible amount; or (b) in the absence of the participant’s affirmative election, 3% of the participant's taxable wages as required to be reported for federal tax purposes, or such other amount as the authority determines; and
2. “covered employee” means an individual who (a) has been employed by a qualified employer for at least 120 days, (b) is at least 19 years old, and (c) performs work that is covered by state unemployment compensation law.

§ 2 — AUTHORITY AND BOARD OF DIRECTORS

The bill creates the authority and deems it a public instrumentality and political subdivision of the state. The bill specifies the authority is not a state department, institution, or agency.

The powers of the authority are vested in a board of directors, which consists of nine voting members, each a state resident:

1. the state treasurer and state comptroller who each serve as ex officio voting members;
2. one each appointed by the House speaker, House majority leader, House minority leader, Senate president pro tempore, Senate majority leader, and Senate minority leader who serves an initial term of four years; and
3. one the governor appoints who serves an initial term of four years.

The bill requires appointed members to include:

1. an individual with a favorable reputation for skill, knowledge, and experience in the interests of employees in retirement savings;

2. an individual with a favorable reputation for skill, knowledge, and experience in the interests of employers in retirement savings; and
3. an individual having a favorable reputation for skill, knowledge, and experience in offering retirement savings products or advice.

Each ex-officio member may designate his or her deputy or a staff member to represent the member at board meetings with the power to vote on the member's behalf.

All appointments must be made by July 31, 2016 and any vacancy must be filled by the appointing authority no later than 30 calendar days after the office becomes vacant. Board members serve without pay but are reimbursed, within available appropriations, according to standard travel regulations for all necessary expenses.

After the initial term all subsequent appointments are for six-year terms. Any member may be reappointed.

Board Officers and Employees

The governor, with the advice and consent of both houses of the General Assembly, selects a chairperson from among the board members. The board annually elects a vice-chairperson and any other officers it deems necessary from among its members.

The board may appoint an executive director and assistant executive director, who serve at the pleasure of the board. The executive director and assistant executive director are authority employees and are paid as the board determines.

The bill prescribes other administrative aspects of the authority's operations including designating an authorized officer or the executive director, if one is appointed, to supervise the administrative affairs and keep program records.

Oath, Expenses, and Surety Bond

The bill requires each board member to take the state oath of affirmation to uphold the state and U.S. constitutions, not later than ten calendar days after his or her appointment. The secretary of the state administers the oath which must then be filed in the secretary of the state's office.

Each board member authorized by a board resolution to handle funds or sign checks for the program, and any other authorized officer, must, no later than 10 calendar days after authorization, execute a \$50,000 surety bond or, in lieu of that, the chairperson must obtain a blanket \$50,000 surety bond covering the executive director, board members, and other employees or authorized officers. The authority must pay the cost of each such bond.

Quorum

Under the bill, four board members constitute a quorum for the transaction of any business.

Conflict of Interest

The bill bans board members, officers, or employees from having any financial interest in any corporation, partnership, or other legal or commercial entity that contracts with the authority. Any individual who violates the ban will be fined not less than \$50 a day up to \$1,000, imprisoned not more than 30 days, or both.

But the bill explicitly states it will not be a conflict of interest under the bill or any other statute for a trustee, director, officer or employee of a bank, investment advisor, investment company or investment banking firm, or a person having the required favorable reputation for skill, knowledge, and experience in retirement savings, to be a board member, provided the trustee, director, or employee abstains from discussion, deliberation, action, and vote by the board in respect to a matter related to the authority and its actions in which the firm has a direct interest.

Board Procedures

The board, for the purpose of implementing the retirement security

program established under the bill (see § 3), must adopt written procedures for the following:

1. adopting an annual budget and plan of operations, including a requirement of board approval before the budget or plan can take effect;
2. hiring, dismissing, promoting and paying authority employees, instituting an affirmative action policy, and requiring board approval to create a position or make a hire;
3. acquiring real and personal property and personal services, including requiring board approval for any nonbudgeted expenditure greater than \$500;
4. contracting for financial, legal, and other professional services, and requiring that the authority solicit proposals at least every three years for each service, except for any firm that contracts to provide custodial, recordkeeping, or other services for the provision of an IRA such solicitation must be at least every 10 years; and
5. using surplus funds to the extent authorized under the bill or by law.

Upon the authority's termination all its rights and properties pass to and become vested in the state of Connecticut.

Protection from Individual Liability

The bill provides protection from individual liability for any authority board member, director, or employee. This includes protection from civil liability for the debts, obligations, or liabilities of the authority.

§ 3 — RETIREMENT SECURITY PROGRAM

The bill establishes the Connecticut Retirement Security Program ("program") to promote and enhance retirement savings for private sector employees in the state. It authorizes the authority board to:

1. adopt bylaws to regulate the board's affairs and business;
2. establish criteria and guidelines for the retirement programs offered under the bill;
3. receive and invest moneys in the program in any instruments, obligations, securities, or property in accord with the bill;
4. contract with financial institutions or other organizations offering or servicing retirement programs;
5. employ attorneys, accountants, consultants, financial experts, loan processors, banks, managers, and other employees and agents as may be necessary in the board's judgment, and to fix the compensation of these individuals or agents;
6. charge and equitably apportion among participants the administrative costs and expenses incurred by the board because it exercised its powers and duties as granted under the bill;
7. borrow working capital funds and other funds as may be necessary for the start-up and continuing operation of the program, provided such funds are borrowed in the name of the authority only (the borrowings are payable solely from authority revenues);
8. make and enter into contracts or agreements with professional service providers, including, financial consultants and lawyers, as necessary for the board to perform its duties and execute its powers;
9. establish policies and procedures for the protection of program participants' personal and confidential information; and
10. adopt an official seal, maintain an office as the board may designate, sue and be sued in its own name, and do all things necessary to carry out the bill's provisions.

Administrative Fees

The bill authorizes the authority to require that a fee be charged and equitably apportioned to each participant to defray the costs of the program. The authority determines the amount and method of collection of the fee, although the bill does not set any fee limits. The bill does not indicate whether the fees are (1) in addition to the employee's contribution or (2) taken out of the contribution. Presumably the fee is taken out of the contribution, as is usually the case with IRAs.

MOUs Regarding Employee Information and Administrative Cost Sharing

The bill requires the board to enter into memoranda of understanding with the Labor Department and other state agencies regarding:

1. gathering or disseminating information necessary for the operation of the program, subject to confidentiality rules as may be agreed or required by law,
2. sharing of costs incurred due to the gathering and dissemination of this information, and
3. reimbursement of costs for any enforcement activities conducted by the attorney general.

§ 5 — IRA PROGRAM

The bill requires the program to establish and maintain an IRA for each program participant either by the program itself or by a third-party entity in the business of establishing and maintaining IRAs. The assets must be held in trust or custodial accounts meeting the federal requirements for IRAs (Internal Revenue Code of 1986, § 408 (a) or (c), as amended from time to time). Each participant has the right to choose either a traditional IRA (pre-tax contributions) or a Roth IRA (after-tax contributions). In the absence of a participant's affirmative election, a Roth IRA will be established for the participant.

The bill specifies that interest, investment earnings, and investment losses are allocated to each participant's IRA. A participant's benefit under the program is equal to the balance in such participant's IRA as of any applicable measurement date.

The bill requires the authority to establish processes to prevent a participant's contributions to the IRA program from exceeding the annual maximum deduction amount set in federal tax law (26 USC 219(b)(1)).

State Exempt from Liability

The bill explicitly exempts the state from any liability (1) related to payments to a participant or beneficiary or (2) of the authority. The authority is only liable for benefits with respect to IRAs the authority maintains.

§ 4 — PROGRAM INFORMATIONAL MATERIAL

The bill requires the authority board of directors to prepare program informational materials for distribution by qualified employers to plan participants and prospective plan participants. At a minimum the informational materials must include:

1. the benefits and risks associated with making contributions to, or withdrawals from, the program;
2. the program contribution process, including a contribution election form;
3. clear and conspicuous notice regarding the default contribution level;
4. the process for a participant to opt out of the program by electing a contribution level of zero;
5. the process for withdrawing retirement savings, including an explanation of how the tax treatment of withdrawals may differ between a Roth IRA and a traditional IRA available under the program;

6. how a participant may obtain additional information on the program, including investment option information; and
7. other information the board deems fit to provide to participants, potential participants, and qualified employers.

At least quarterly, the board must provide a statement to each participant that includes, at a minimum:

1. the participant's IRA account balance, including the value of the participant's investment in each selected investment option;
2. the investment options available to each participant and the process for selecting investment options for his or her contributions as allowed in state law or by the authority;
3. the fees charged to each participant's IRA and a description of the services provided for the fees; and
4. if the board chooses, an estimate of the income the account is projected to generate for a participant's retirement based on reasonable assumptions.

Annual Fees Notice

At least annually, the board must provide each participant with information on program fees and on the various investment options that may be available. This may be provided in the form of a prospectus or similar document.

Electronic Dissemination of Notices

The board may adopt policies and procedures, provided public notice of the new procedures is met, for the electronic dissemination of any required notices or information to participants, potential participants, and qualified employers.

§ 6 — BOARD DUTY TO ACT WITH PRUDENCE AND IN INTEREST OF PARTICIPANTS

The bill requires the authority to act:

1. with the care, skill, prudence and diligence under the circumstances that a prudent person familiar with such matters would use in a similar situation;
2. solely in the interests of program participants and beneficiaries;
3. for the exclusive purposes of providing benefits to participants and beneficiaries and defraying reasonable expenses of administering the program; and
4. in accordance with the bill's provisions and any applicable statutes.

To the extent reasonable, the board must require any agents the authority engages or appoints to abide by the same standards.

§ 7 — EMPLOYER RESPONSIBILITIES AND AUTOMATIC ENROLLMENT

Not later than July 1, 2017, and each subsequent year, each qualified employer must provide each of its covered employees with the informational materials the authority is required to prepare.

For any employee of a qualified employer who (1) is hired on or after July 1, 2017 or (2) does not meet the definition of covered employee under the bill, the employer must provide the informational materials to such employee no later than 30 days, or another time period the authority prescribes, after, (a) the date of such employee's hiring or (b) the date the employee meets the definition of a covered employee.

No later than 60 days after providing the informational materials, the qualified employer must automatically enroll each of its covered employees in the program at a contribution rate (1) the employee selects or, (2) at 3% if the employee did not actively select a contribution rate. The contributions will be made under the provisions of the automatic enrollment law that allows an employer to make enrollment contributions to retirement accounts on an employee's behalf without the employee's affirmative decision to make the

contribution.

The bill prohibits employers from making contributions to the program. (Employer contributions would make the program fall under the regulatory authority of the federal Employee Retirement Income Security Act of 1974. In general, retirement programs that include private sector employer contributions are regulated under ERISA.)

Employee Opt-Out

Existing law and the bill allow employees to affirmatively opt out of the automatic contribution plan. Under the bill a covered employee may opt out of the program by electing a contribution level of zero.

Delaying Program Start Date

The bill permits the authority to delay the effective date of the program, in whole or in part, and for particular categories of employers, as it deems necessary to implement the bill's provisions and minimize the disruption and burdens that may exist for any qualified employer.

Exempt Employers

A qualified employer that maintains a retirement plan recognized under the federal tax code or approved by the authority is exempt from the bill's requirements to provide the informational material and automatically enroll qualified employees.

If the authority determines that an employer is not continuing to maintain its retirement plan recognized under the federal tax code then the employer is no longer exempt from the bill. An employer will no longer be considered exempt if the authority determines:

1. as of the first day of the previous calendar year, no new participant was eligible to be enrolled in a the retirement plan by the qualified employer, and
2. on and after the first day of the previous calendar year, no

contributions were made to the retirement plan by or on behalf of a participant.

The bill does not specify what the authority will consider when determining whether an employer retirement plan, other than one recognized under federal tax law, is exempt from the bill.

Optional Program Participation

An employer that is not otherwise required to participate under the bill may make the program available to its employees subject to rules and procedures the authority establishes. But the bill prevents an employer from requiring an employee to enroll. Individuals may also participate in the program according to procedures the authority establishes and may roll over funds from other retirement accounts.

Transmitting Withheld Funds

The bill requires qualified employers to transmit withheld employee contributions on the earliest day that the amount held can be segregated from the employer's assets but no later than the 15th business day of the month following the month in which the covered employee's contribution amounts are withheld from his or her paycheck.

§§ 8 & 9 — PROGRAM DESIGN FEATURES

The bill requires the authority to invest each participant's IRA in (1) an age-appropriate target date fund, (2) a vehicle designed for lifetime income investment to provide participants with a source of retirement income for life or (3) such other investment vehicles as the authority may prescribe.

Target funds, also known as lifecycle funds or age-based funds typically involve a plan where the investment approach becomes less aggressive as the participant gets older, although the bill does not define target date fund.

The bill provides details for the lifetime income investment option and specifies this is only available if the authority determines its

features to be feasible and cost effective. If this is determined to be so, the program must include the following features:

1. designate a lifetime income investment option for the program intended to provide participants with a lifetime source of retirement income;
2. provide to each participant, one year in advance of the participant's normal retirement age, a disclosure explaining (a) the rights and features of the lifetime income investment; (b) that at normal retirement age, 50% of the participant's account will be invested in the lifetime income investment; and (c) that the participant may choose to invest a higher percentage of his or her account balance in the lifetime income option;
3. on the date a participant reaches normal retirement age, invest 50% of the account balance, or the higher amount if the participant so chose, in the lifetime income investment;
4. permit each participant to elect a date no earlier than his or her normal retirement age to begin receiving distributions, provided, in the absence of an election, such distributions start no later than 90 days after he or she reaches normal retirement age; and
5. establish procedures so participants may choose to invest a higher percentage of his or her account balance in the lifetime income investment.

Normal retirement age is 65 years old unless the participant chooses an earlier age except that in no case can the age be earlier than specified in the Social Security Act (42 USC 416 (1)(1)). (The federal law is gradually phasing in older retirement ages; currently normal retirement age is 66.)

Fund Distribution

The authority must establish rules and procedures for IRA fund

distribution that allow for the same distribution as the IRS code as well as any the program allows.

§ 10 — ATTORNEY GENERAL OVERSIGHT

The bill authorizes the attorney general to investigate any alleged violation of the bill's requirement that the authority act with prudence and solely in the interests of the participants. If the attorney general finds that any board member or any authority agent has violated or is violating that duty the attorney general may bring a civil action in Hartford Superior Court against the board member or agent. The remedies available to a court in any such action are limited to injunctive relief. Nothing in the bill can be construed to create a private right of action.

§ 10 — EMPLOYER PENALTIES

If a qualified employer fails to remit contributions to the program in the time period specified in the bill, the bill makes this failure a violation of state law regarding an employer's ability to withhold employee wages. By law, violators are punishable by imprisonment and fines and on a sliding scale depending on the amount of wages involved (i.e., if unpaid wages are more than \$2,000, guilty of a class D felony, with imprisonment of up to five years, a fine of at least \$2,000 but not more than \$5,000, or both) .

If a qualified employer fails to enroll a covered employee as required in the bill, the covered employee or the labor commissioner may bring a civil action to require the employer to enroll the employee and may recover the costs and reasonable attorney's fees as allowed by the court.

§ 11 — BOOKKEEPING AND AUDITS

Under the bill, the authority must keep an account of all its activities, receipts, and expenditures and submit a report detailing these items to the authority board, the governor, the Office of Auditors of Public Accounts ("auditors"), and the Labor and Finance, Revenue and Bonding committees by December 31 each year. The report must

be in a form the board prescribes and include authority activities for the next fiscal year. Also, the report is subject to the auditors approval.

The bill authorizes the auditors to conduct a full audit of the authority's books and accounts pertaining to activities, receipts, and expenditures, personnel, services or facilities. For the purposes of the audit, the auditors have access to the authority's properties and records and may prescribe methods of accounting and periodic reporting in relation to authority projects.

Furthermore, the bill requires the authority to enter into memoranda of understanding with the state comptroller through which the authority must at a minimum provide, in a form the comptroller prescribes, information on the authority's current revenues and expenses, including the sources or recipients, relevant dates, and the amount and category of each revenue or expense.

§ 12 — STUDY

The bill authorizes the authority to study the feasibility of the state or the authority making a multiple-employer 401(k) plan or other tax-favored retirement savings vehicle available to employers.

§§ 13-16 — CONFORMING AUTHORITY CHANGES

The sections make conforming changes by adding the new authority to existing law addressing quasi-publics and (1) the state code of ethics, (2) authority borrowing and bonding power, and (3) liability protection for board members and employees when performing authority duties.

§§ 17 & 18 — LABOR PAYROLL LAWS

The bill makes conforming changes to state law regarding employers authority to withhold funds from employees' paychecks for automatic deductions for retirement plans.

§ 19 — REPEALERS

The bill repeals the law creating the Connecticut Retirement Security Board and its duty to create a public retirement plan. The

authority the bill creates replaces the board.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 8 Nay 5 (03/10/2016)