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General Assembly

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Substitute House Bill No. 5591
As Amended by House Amendment
Schedules "A", "B", "C" and "D"

Approved by the Legislative Commissioner
April 27, 2016

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 13, 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, provided such
22 amount shall not exceed six per cent. The contribution level of a
23 participant who customarily and regularly receives gratuities in
24 conjunction with his or her employment shall be a percentage of such
25 participant's wages as is required to be reported under Sections 6041
26 and 6051 of the Internal Revenue Code of 1986, or any subsequent
27 corresponding internal revenue code of the United States, as amended
28 from time to time;

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

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

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

39 (7) "Qualified employer" means any person, corporation, limited
40 liability company, firm, partnership, voluntary association, joint stock
41 association or other entity doing business in the state during the
42 calendar year, whether for profit or not for profit, that employed on
43 October first of the preceding calendar year five or more individuals in
44 the state and has paid not less than five of such individuals taxable
45 wages of not less than five thousand dollars in the preceding calendar

46 year. "Qualified employer" does not include: (A) The federal
47 government, (B) the state or any political subdivision thereof, (C) any
48 municipality, unit of a municipality or municipal housing authority,
49 (D) an employer employing only individuals whose services are
50 excluded under subdivision (5) of subsection (a) of section 31-222 of
51 the general statutes, or (E) an employer that was not in existence at all
52 times during the current calendar year and the preceding calendar
53 year;

54 (8) "Individual retirement account" means a Roth IRA;

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

59 (10) "Normal retirement age" means the age specified in Section
60 408A of the Internal Revenue Code of 1986, or any subsequent
61 corresponding internal revenue code of the United States, as amended
62 from time to time, when an individual may withdraw all funds
63 without penalty; and

64 (11) "Vendor" means (A) a regulated investment company or an
65 insurance company conducting business in the state, or (B) a company
66 conducting business in the state to (i) provide payroll or recordkeeping
67 services, and (ii) offer retirement plans or payroll deposit individual
68 retirement account arrangements using products of regulated
69 investment companies. "Vendor" does not include individual
70 registered representatives, brokers, financial planners or agents.

71 Sec. 2. (NEW) (*Effective from passage*) (a) There is hereby established
72 and created a body politic and corporate, constituting a public
73 instrumentality and political subdivision of the state of Connecticut
74 established and created for the performance of an essential public and
75 governmental function, to be known as the Connecticut Retirement
76 Security Authority. The authority shall not be construed to be a
77 department, institution or agency of the state.

78 (b) The powers of the authority shall be vested in and exercised by a
79 board of directors, which shall consist of nine voting members, each a
80 resident of the state, (1) the State Treasurer who shall serve as an ex
81 officio voting member; (2) the State Comptroller who shall serve as an
82 ex officio voting member; (3) one appointed by the speaker of the
83 House of Representatives, who shall have a favorable reputation for
84 skill, knowledge and experience in the interests of the needs of aging
85 population; (4) one appointed by the majority leader of the House of
86 Representatives, who shall have a favorable reputation for skill,
87 knowledge and experience in the interests of employers in retirement
88 savings; (5) one appointed by the minority leader of the House of
89 Representatives, who shall have a favorable reputation for skill,
90 knowledge and experience in the interests of retirement investment
91 products; (6) one appointed by the president pro tempore of the
92 Senate, who shall have a favorable reputation for skill, knowledge and
93 experience in the interests of employees in retirement savings; (7) one
94 appointed by the majority leader of the Senate, who shall have a
95 favorable reputation for skill, knowledge and experience in retirement
96 plan designs; (8) one appointed by the minority leader of the Senate,
97 who shall have a favorable reputation for skill, knowledge and
98 experience in the interests of retirement plan brokers; and (9) one
99 appointed by the Governor, who shall have a favorable reputation for
100 skill, knowledge and experience in matters regarding the federal
101 Employment Retirement Income Security Act of 1974, as amended
102 from time to time, or the Internal Revenue Code of 1986 or any
103 subsequent corresponding internal revenue code of the United States,
104 as amended from time to time. Each member appointed pursuant to
105 subdivisions (3) to (9), inclusive, of this subsection shall serve an initial
106 term of four years. Thereafter, said members of the General Assembly
107 and the Governor shall appoint members of the board to succeed such
108 appointees whose terms expire and each member so appointed shall
109 hold office for a term of six years from July first in the year of his or her
110 appointment.

111 (c) All appointments to the board shall be made not later than July

112 31, 2016. Any vacancy shall be filled by the appointing authority not
113 later than thirty calendar days after the office becomes vacant. Any
114 member previously appointed to the board may be reappointed.

115 (d) The Governor, with the advice and consent of both houses of the
116 General Assembly, shall select a chairperson of the board from among
117 the members of the board. The board shall annually elect a vice-
118 chairperson and such other officers as it deems necessary from among
119 its members. The board may appoint an executive director and
120 assistant executive director, who shall not be members of the board
121 and who shall serve at the pleasure of the board. The executive
122 director and assistant executive director shall be employees of the
123 authority and shall receive such compensation as prescribed by the
124 board.

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

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

135 (2) Each member of the board authorized by resolution of the board
136 to handle funds or sign checks for the program, and any other
137 authorized officer, shall, not later than ten calendar days after the date
138 the board adopts such authorizing resolution, execute a surety bond in
139 the penal sum of fifty thousand dollars or procure an equivalent
140 insurance product or, in lieu thereof, the chairperson shall obtain a
141 blanket position bond covering the executive director and every
142 member of the board and other employee or authorized officer of the
143 authority in the penal sum of fifty thousand dollars. Each such bond or

144 equivalent insurance product shall be (A) conditioned upon the
145 faithful performance of the duties of the chairperson or the members,
146 executive director and other authorized officers or employees, as the
147 case may be, and (B) issued by an insurance company authorized to
148 transact business in the state as surety. The cost of each such bond
149 shall be paid by the authority.

150 (g) An authorized officer or the executive director, if one is
151 appointed by the board pursuant to subsection (d) of this section, shall
152 supervise the administrative affairs and technical activities of the
153 program in accordance with the directives of the board. Such
154 authorized officer or executive director, as the case may be, shall keep
155 a record of the proceedings of the program and shall be custodian of
156 all books, documents and papers filed with the program, the minute
157 book or journal of the program and its official seal. Such authorized
158 officer or executive director, as the case may be, may cause copies to be
159 made of all minutes and other records and documents of the program
160 and may give certificates under the official seal of the program to the
161 effect that such copies are true copies, and all persons dealing with the
162 program may rely upon such certificates.

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

166 (i) (1) No member of the board or any officer, agent or employee of
167 the authority shall, directly or indirectly, have any financial interest in
168 any corporation, business trust, estate, trust, partnership or
169 association, two or more persons having a joint or common interest, or
170 any other legal or commercial entity contracting with the authority.

171 (2) Notwithstanding the provisions of subdivision (1) of this
172 subsection or any other section of the general statutes, it shall not be a
173 conflict of interest or a violation of the provisions of said subdivision
174 or any other section of the general statutes for a trustee, director,
175 officer or employee of a bank, investment advisor, investment

176 company or investment banking firm, or a person having the required
177 favorable reputation for skill, knowledge and experience in retirement
178 savings, to serve as a member of the board, provided, in each case to
179 which the provisions of this subdivision are applicable, such trustee,
180 director, officer or employee of such a firm abstains from discussion,
181 deliberation, action and vote by the board in specific respect to any
182 undertaking pursuant to this section or sections 3 to 13, inclusive, of
183 this act in which such firm has a direct interest separate from the
184 interests of all similar firms generally.

185 (j) The board, on behalf of the authority, and for the purpose of
186 implementing the Connecticut Retirement Security Program
187 established pursuant to section 3 of this act, shall adopt written
188 procedures in accordance with the provisions of section 1-121 of the
189 general statutes for the purposes of:

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

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

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

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

205 (5) Using surplus funds to the extent authorized under this act or
206 other provisions of the general statutes;

207 (6) Making modifications to the program that the board deems
208 necessary to implement the provisions of sections 2 to 13, inclusive, of
209 this act consistent with federal rules and regulations in order to ensure
210 that the program meets all criteria for federal tax-deferral or tax-
211 exempt benefits, and to prevent the program from being treated as an
212 employee benefit plan under the federal Employee Retirement Income
213 Security Act of 1974, as amended from time to time; and

214 (7) Establishing an administrative process by which participants,
215 potential participants and employees may submit grievances,
216 complaints and appeals to the board and have such grievances,
217 complaints and appeals heard and addressed by the board.

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

222 (l) The provisions of this section and section 1-125 of the general
223 statutes, as amended by this act, shall apply to any member, director or
224 employee of the authority. No person shall be subject to civil liability
225 for the debts, obligations or liabilities of the authority as provided in
226 this section and section 1-125 of the general statutes, as amended by
227 this act.

228 Sec. 3. (NEW) (*Effective from passage*) (a) There is established the
229 Connecticut Retirement Security Program the purpose of which shall
230 be to promote and enhance retirement savings for private sector
231 employees in the state. The board of directors of the Connecticut
232 Retirement Security Authority may:

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

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

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

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

240 (5) Establish criteria and guidelines for the retirement programs to
241 be offered pursuant to this section and sections 4 to 13 of this act;

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

245 (7) Contract with financial institutions or other organizations
246 offering or servicing retirement programs. The authority may require
247 that each participant be charged a fee to defray the costs of the
248 program. The amount and method of collection of such fee shall be
249 determined by the authority. No employer shall be required to fund or
250 be responsible for collecting fees from plan participants;

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

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

258 (10) Borrow working capital funds and other funds as may be
259 necessary for the start-up and continuing operation of the program,
260 provided such funds are borrowed in the name of the authority only.
261 Such borrowings shall be payable solely from revenues of the
262 authority;

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

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

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

271 (b) The board of directors of the Connecticut Retirement Security
272 Authority shall enter into memoranda of understanding with the
273 Labor Department and other state agencies regarding (1) the gathering
274 or dissemination of information necessary for the operations of the
275 program, subject to such obligations of confidentiality as may be
276 agreed or required by law, (2) the sharing of costs incurred pursuant to
277 the gathering and dissemination of such information, and (3) the
278 reimbursement of costs for any enforcement activities conducted
279 pursuant to section 10 of this act. Each state agency may also enter into
280 such memoranda of understanding.

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

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

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

291 (3) Clear and conspicuous notice regarding the default contribution
292 level;

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

295 (5) A description of applicable federal and state regulations,
296 including income and contribution limits for participating in the

297 program;

298 (6) The process for withdrawing retirement savings from the
299 program, including an explanation of the tax treatment of
300 withdrawals;

301 (7) The process by which a participant may obtain additional
302 information on the program, including information regarding
303 investment options available under the program; and

304 (8) Such other information as the board may deem necessary or
305 advisable to provide to participants, potential participants and
306 qualified employers in the state.

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

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

313 (2) The various investment options available to each participant and
314 the process by which a participant may select investment options for
315 his or her contributions in accordance with subsection (b) of section 31-
316 71j of the general statutes, as amended by this act, or as prescribed by
317 the authority;

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

321 (4) At the election of the board, an estimate of the amount of income
322 the account is projected to generate for a participant's retirement based
323 on reasonable assumptions.

324 (c) Not less than annually, the board shall provide each participant
325 with notification regarding fees that may be imposed through the

326 program and information regarding the various investment options
327 that may be available to participants. The board may provide such
328 notification and information in the form of a prospectus or similar
329 document.

330 (d) The board, on behalf of the authority, may adopt policies and
331 procedures in accordance with the provisions of section 1-121 of the
332 general statutes for the electronic dissemination of any notices or
333 information required to be provided to participants, potential
334 participants and qualified employers pursuant to the provisions of this
335 section.

336 Sec. 5. (NEW) (*Effective from passage*) (a) The Connecticut Retirement
337 Security Program shall provide for the establishment and maintenance
338 of an individual retirement account for each program participant. Such
339 individual retirement account shall be established and maintained
340 through the program or a third-party entity in the business of
341 establishing and maintaining individual retirement accounts. Program
342 assets shall be held in trust or custodial accounts meeting the
343 requirements of Section 408(a) or (c) of the Internal Revenue Code of
344 1986, or any subsequent corresponding internal revenue code of the
345 United States, as amended from time to time, or any other applicable
346 federal law requirements.

347 (b) Interest, investment earnings and investment losses shall be
348 allocated to each participant's individual retirement account. A
349 participant's benefit under the program shall be equal to the balance in
350 such participant's individual retirement account as of any applicable
351 measurement date prescribed by the program.

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

356 (d) The state shall not be liable for the payment of any benefit to any
357 participant or beneficiary of any participant and shall not be liable for

358 any liability or obligation of the authority. The authority shall not be
359 liable for the payment of any benefit to any participant or beneficiary
360 of any participant, except with respect to any individual retirement
361 accounts established and maintained by the authority.

362 (e) Any unclaimed funds in a participant's individual retirement
363 account shall be governed by section 3-57a of the general statutes.

364 Sec. 6. (NEW) (*Effective from passage*) (a) The Connecticut Retirement
365 Security Authority board of directors, in conducting the business of the
366 authority, including its oversight functions, shall act: (1) With the care,
367 skill, prudence and diligence under the circumstances then prevailing
368 that a prudent person acting in a like capacity and familiar with such
369 matters would use in the conduct of an enterprise of like character and
370 with like aims; (2) solely in the interests of the program's participants
371 and beneficiaries; (3) for the exclusive purposes of providing benefits
372 to participants and beneficiaries and defraying reasonable expenses of
373 administering the program; and (4) in accordance with the provisions
374 of sections 2 to 13, inclusive, of this act and any other applicable
375 sections of the general statutes.

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

379 Sec. 7. (NEW) (*Effective from passage*) (a) (1) Not later than January 1,
380 2018, and annually thereafter, each qualified employer shall provide
381 each of its covered employees with the informational materials
382 prepared by the Connecticut Retirement Security Authority board of
383 directors pursuant to section 4 of this act. For any employee of a
384 qualified employer who (A) is hired on or after January 1, 2018, or (B)
385 does not meet the definition of covered employee pursuant to section 1
386 of this act, such qualified employer shall provide such informational
387 materials to such employee not later than thirty days, or such other
388 time period as prescribed by the authority, after (i) the date of such
389 employee's hiring, or (ii) the date such employee meets the definition

390 of covered employee pursuant to section 1 of this act.

391 (2) Not later than sixty days after a qualified employer provides
392 informational materials to a covered employee in accordance with
393 subsection (a) of this section, or such other time period as prescribed
394 by the authority, and subject to the provisions of subdivision (3) of this
395 subsection, such qualified employer shall automatically enroll each of
396 its covered employees in the program at the participant's contribution
397 level in accordance with the provisions of section 31-71j of the general
398 statutes, as amended by this act.

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

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

408 (B) A qualified employer shall not be considered to maintain a
409 retirement plan or retirement arrangement described under said
410 Section 219(g)(5) or any other retirement arrangement approved by the
411 authority pursuant to subparagraph (A) of this subdivision, if the
412 authority determines that (i) as of the first day of the previous calendar
413 year, no new participant was eligible to be enrolled in a retirement
414 plan or retirement arrangement maintained by such qualified
415 employer, and (ii) on and after the first day of the previous calendar
416 year, no contributions were made to such retirement plan or retirement
417 arrangement by or on behalf of a participant in such plan or
418 arrangement.

419 (5) The authority may defer the effective date of the program, in
420 whole or in part, and for particular categories of employers, as the
421 authority deems necessary to effectuate the purposes of sections 2 to

422 13, inclusive, of this act in a manner that minimizes the disruption and
423 burdens that may exist for any qualified employer. The board shall
424 provide notice of any deferment of the effective date of the program to
425 the chairpersons and ranking members of the joint standing committee
426 of the General Assembly having cognizance of matters relating to labor
427 not later than seven days after the authority has deemed such
428 deferment necessary. Such notice shall include the categories of
429 employers affected, the purpose for which the deferment was granted
430 and the new effective date of the program.

431 (b) An employer that does not otherwise meet the definition of a
432 qualified employer may make the program available to its employees
433 subject to such rules and procedures as may be prescribed by the
434 authority. No such employer shall require any employee to enroll in
435 the program.

436 (c) Any individual who is not enrolled in the program pursuant to
437 subsection (a) of this section may participate in the program at any
438 time subject to such rules and procedures as the authority may
439 prescribe. The authority shall provide the informational materials
440 described in section 4 of this act to any such individual at or before the
441 time of such individual's enrollment in the program.

442 (d) To the extent permitted under the Internal Revenue Code of
443 1986, or any subsequent corresponding internal revenue code of the
444 United States, as amended from time to time, the authority shall allow
445 any individual to establish or contribute to an individual retirement
446 account maintained for such individual under the program by rolling
447 over funds from an existing retirement savings account of the
448 individual.

449 (e) A qualified employer that withholds a contribution from a
450 covered employee's compensation in connection with the program
451 shall transmit such contribution on the earliest date the amount
452 withheld from the covered employee's compensation can reasonably
453 be segregated from the qualified employer's assets, but not later than

454 the fifteenth business day of the month following the month in which
455 the covered employee's contribution amounts are withheld from his or
456 her paycheck.

457 (f) No employer shall be permitted to make a contribution to the
458 program.

459 (g) The board shall disseminate information concerning the tax
460 credits that may be available to small business owners for establishing
461 new retirement plans.

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

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

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

477 (1) Designate a lifetime income investment for the program
478 intended to provide participants with a source of retirement income
479 for life. Any lifetime income investment for the program shall include
480 spousal rights;

481 (2) Provide to each participant, one year in advance of the
482 participant's normal retirement age, a disclosure explaining (A) the
483 rights and features of the lifetime income investment; (B) that once the

484 participant reaches normal retirement age, fifty per cent of the
485 participant's account will be invested in the lifetime income
486 investment; and (C) that the participant may elect to invest a higher
487 percentage of his or her account balance in the lifetime income option;

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

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

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

500 (c) The board shall inform participants about their rights to
501 withdraw funds from the program in accordance with the provisions
502 of the Internal Revenue Code of 1986, or any subsequent
503 corresponding internal revenue code of the United States, as amended
504 from time to time. For participants who elect to withdraw their assets
505 prior to their normal retirement age, the authority shall notify such
506 participants of any tax penalties associated with such withdrawal and
507 the effect of such withdrawal on such participant's expected retirement
508 income.

509 Sec. 10. (NEW) (*Effective from passage*) (a) The Attorney General may
510 investigate any violation of section 6 of this act. If the Attorney General
511 finds that any member of the Connecticut Retirement Security
512 Authority board of directors, or any agent engaged or appointed by
513 the board or the authority has violated or is violating any provision of
514 said section, the Attorney General may bring a civil action in the
515 superior court for the judicial district of Hartford under this section in

516 the name of the state against such member or agent. The remedies
517 available to a court in any such action shall be limited to injunctive
518 relief. Nothing in this section shall be construed to create a private
519 right of action.

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

524 (c) If a qualified employer fails to enroll a covered employee as
525 required under subsection (a) of section 7 of this act, such covered
526 employee, or the Labor Commissioner, may bring a civil action to
527 require the qualified employer to enroll the covered employee and
528 shall recover such costs and reasonable attorney's fees as may be
529 allowed by the court.

530 Sec. 11. (NEW) (*Effective from passage*) (a) The Connecticut
531 Retirement Security Authority shall keep an accurate account of all its
532 activities, receipts and expenditures and shall submit, in accordance
533 with the provisions of section 11-4a of the general statutes, a report
534 detailing such activities, receipts and expenditures to the Connecticut
535 Retirement Security Authority board of directors, the Governor, the
536 Office of Auditors of Public Accounts and the joint standing
537 committees of the General Assembly having cognizance of matters
538 relating to labor and finance, revenue and bonding on or before
539 December thirty-first annually. Such report shall be in a form
540 prescribed by the board and shall include projected activities of the
541 authority for the next fiscal year and shall be subject to approval by the
542 Auditors of Public Accounts.

543 (b) The Auditors of Public Accounts may conduct a full audit of the
544 books and accounts of the authority pertaining to such activities,
545 receipts and expenditures, personnel, services or facilities, in
546 accordance with the provisions of section 2-90 of the general statutes.
547 For the purposes of such audit, the Auditors of Public Accounts shall

548 have access to the properties and records of the authority, and may
549 prescribe methods of accounting and the rendering of periodical
550 reports in relation to projects undertaken by the authority.

551 (c) The authority shall enter into memoranda of understanding with
552 the State Comptroller pursuant to which the authority shall provide, in
553 such form and manner as prescribed by the State Comptroller,
554 information that may include, but need not be limited to, the current
555 revenues and expenses of the authority, the sources or recipients of
556 such revenues or expenses, the date such revenues or expenses were
557 received or dispersed and the amount and the category of such
558 revenues or expenses. The State Comptroller may also enter into such
559 memoranda of understanding.

560 Sec. 12. (*Effective from passage*) (a) The Connecticut Retirement
561 Security Board shall conduct a study of the interest of participants and
562 potential participants of the Connecticut Retirement Security Program
563 in investing in a traditional IRA option. The study shall include, but
564 need not be limited to: (1) The number of participants and potential
565 participants whose incomes exceed federal limits for contributing to a
566 Roth IRA; and (2) the percentage of current participants that would
567 prefer a tax-deferred savings option. Not later than January 1, 2019, the
568 board shall submit a report, in accordance with the provisions of
569 section 11-4a of the general statutes, on the results of such study to the
570 joint standing committee of the General Assembly having cognizance
571 of matters relating to labor.

572 (b) The Connecticut Retirement Security Authority may study the
573 feasibility of the state or the authority making available to employers a
574 multiple-employer 401(k) plan or other tax-favored retirement savings
575 vehicle.

576 Sec. 13. (NEW) (*Effective January 1, 2018*) (a) The Connecticut
577 Retirement Security Authority board of directors shall:

578 (1) Establish and maintain a secure Internet web site to (A) provide
579 qualified employers with information regarding employer-sponsored

580 retirement plans and payroll deduction individual retirement
581 accounts, and (B) assist qualified employers in identifying vendors of
582 retirement arrangements that may be implemented by the qualified
583 employers in lieu of participation in the program;

584 (2) Include the Internet web site address on any posting to the
585 Internet web site or in other materials offered to the public regarding
586 the program;

587 (3) Prior to implementing the Internet web site, and at least annually
588 thereafter, provide notice to vendors (A) that such Internet web site is
589 active, (B) that such vendors may register for inclusion on the Internet
590 web site, and (C) regarding the process for inclusion on the Internet
591 web site; and

592 (4) Establish an appeals process for vendors that are denied
593 registration or removed from the Internet web site pursuant to
594 subsection (d) of this section.

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

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

608 (d) The board may remove a vendor from the Internet web site if the
609 vendor: (1) Submits materially inaccurate information to the board, (2)
610 does not remit assessed fees within sixty days from the date of

611 assessment, or (3) fails to submit to the board notice of any material
612 change to the vendor's registered investment products. Any vendor
613 found to have submitted materially inaccurate information to the
614 board shall be allowed sixty calendar days to correct the information.

615 Sec. 14. Subdivision (12) of section 1-79 of the 2016 supplement to
616 the general statutes is repealed and the following is substituted in lieu
617 thereof (*Effective July 1, 2016*):

618 (12) "Quasi-public agency" means Connecticut Innovations,
619 Incorporated, the Connecticut Health and Education Facilities
620 Authority, the Connecticut Higher Education Supplemental Loan
621 Authority, the Connecticut Student Loan Foundation, the Connecticut
622 Housing Finance Authority, the State Housing Authority, the Materials
623 Innovation and Recycling Authority, the Capital Region Development
624 Authority, the Connecticut Lottery Corporation, the Connecticut
625 Airport Authority, the Connecticut Health Insurance Exchange, the
626 Connecticut Green Bank, the Connecticut Retirement Security
627 Authority, the Connecticut Port Authority and the State Education
628 Resource Center.

629 Sec. 15. Subdivision (1) of section 1-120 of the 2016 supplement to
630 the general statutes is repealed and the following is substituted in lieu
631 thereof (*Effective July 1, 2016*):

632 (1) "Quasi-public agency" means Connecticut Innovations,
633 Incorporated, the Connecticut Health and Educational Facilities
634 Authority, the Connecticut Higher Education Supplemental Loan
635 Authority, the Connecticut Student Loan Foundation, the Connecticut
636 Housing Finance Authority, the Connecticut Housing Authority, the
637 Materials Innovation and Recycling Authority, the Capital Region
638 Development Authority, the Connecticut Lottery Corporation, the
639 Connecticut Airport Authority, the Connecticut Health Insurance
640 Exchange, the Connecticut Green Bank, the Connecticut Retirement
641 Security Authority, the Connecticut Port Authority and the State
642 Education Resource Center.

643 Sec. 16. Section 1-124 of the 2016 supplement to the general statutes
644 is repealed and the following is substituted in lieu thereof (*Effective July*
645 *1, 2016*):

646 (a) Connecticut Innovations, Incorporated, the Connecticut Health
647 and Educational Facilities Authority, the Connecticut Higher
648 Education Supplemental Loan Authority, the Connecticut Student
649 Loan Foundation, the Connecticut Housing Finance Authority, the
650 Connecticut Housing Authority, the Materials Innovation and
651 Recycling Authority, the Connecticut Airport Authority, the Capital
652 Region Development Authority, the Connecticut Health Insurance
653 Exchange, the Connecticut Green Bank, the Connecticut Retirement
654 Security Authority, the Connecticut Port Authority and the State
655 Education Resource Center shall not borrow any money or issue any
656 bonds or notes which are guaranteed by the state of Connecticut or for
657 which there is a capital reserve fund of any kind which is in any way
658 contributed to or guaranteed by the state of Connecticut until and
659 unless such borrowing or issuance is approved by the State Treasurer
660 or the Deputy State Treasurer appointed pursuant to section 3-12. The
661 approval of the State Treasurer or said deputy shall be based on
662 documentation provided by the authority that it has sufficient
663 revenues to (1) pay the principal of and interest on the bonds and notes
664 issued, (2) establish, increase and maintain any reserves deemed by the
665 authority to be advisable to secure the payment of the principal of and
666 interest on such bonds and notes, (3) pay the cost of maintaining,
667 servicing and properly insuring the purpose for which the proceeds of
668 the bonds and notes have been issued, if applicable, and (4) pay such
669 other costs as may be required.

670 (b) To the extent Connecticut Innovations, Incorporated, the
671 Connecticut Higher Education Supplemental Loan Authority, the
672 Connecticut Student Loan Foundation, the Connecticut Housing
673 Finance Authority, the Connecticut Housing Authority, the Materials
674 Innovation and Recycling Authority, the Connecticut Health and
675 Educational Facilities Authority, the Connecticut Airport Authority,
676 the Capital Region Development Authority, the Connecticut Health

677 Insurance Exchange, the Connecticut Green Bank, the Connecticut
678 Retirement Security Authority, the Connecticut Port Authority or the
679 State Education Resource Center is permitted by statute and
680 determines to exercise any power to moderate interest rate fluctuations
681 or enter into any investment or program of investment or contract
682 respecting interest rates, currency, cash flow or other similar
683 agreement, including, but not limited to, interest rate or currency swap
684 agreements, the effect of which is to subject a capital reserve fund
685 which is in any way contributed to or guaranteed by the state of
686 Connecticut, to potential liability, such determination shall not be
687 effective until and unless the State Treasurer or his or her deputy
688 appointed pursuant to section 3-12 has approved such agreement or
689 agreements. The approval of the State Treasurer or his or her deputy
690 shall be based on documentation provided by the authority that it has
691 sufficient revenues to meet the financial obligations associated with the
692 agreement or agreements.

693 Sec. 17. Section 1-125 of the 2016 supplement to the general statutes
694 is repealed and the following is substituted in lieu thereof (*Effective July*
695 *1, 2016*):

696 The directors, officers and employees of Connecticut Innovations,
697 Incorporated, the Connecticut Higher Education Supplemental Loan
698 Authority, the Connecticut Student Loan Foundation, the Connecticut
699 Housing Finance Authority, the Connecticut Housing Authority, the
700 Materials Innovation and Recycling Authority, including ad hoc
701 members of the Materials Innovation and Recycling Authority, the
702 Connecticut Health and Educational Facilities Authority, the Capital
703 Region Development Authority, the Connecticut Airport Authority,
704 the Connecticut Lottery Corporation, the Connecticut Health Insurance
705 Exchange, the Connecticut Green Bank, the Connecticut Retirement
706 Security Authority, the Connecticut Port Authority and the State
707 Education Resource Center and any person executing the bonds or
708 notes of the agency shall not be liable personally on such bonds or
709 notes or be subject to any personal liability or accountability by reason
710 of the issuance thereof, nor shall any director or employee of the

711 agency, including ad hoc members of the Materials Innovation and
712 Recycling Authority, be personally liable for damage or injury, not
713 wanton, reckless, wilful or malicious, caused in the performance of his
714 or her duties and within the scope of his or her employment or
715 appointment as such director, officer or employee, including ad hoc
716 members of the Materials Innovation and Recycling Authority. The
717 agency shall protect, save harmless and indemnify its directors,
718 officers or employees, including ad hoc members of the Materials
719 Innovation and Recycling Authority, from financial loss and expense,
720 including legal fees and costs, if any, arising out of any claim, demand,
721 suit or judgment by reason of alleged negligence or alleged
722 deprivation of any person's civil rights or any other act or omission
723 resulting in damage or injury, if the director, officer or employee,
724 including ad hoc members of the Materials Innovation and Recycling
725 Authority, is found to have been acting in the discharge of his or her
726 duties or within the scope of his or her employment and such act or
727 omission is found not to have been wanton, reckless, wilful or
728 malicious.

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

731 No employer may withhold or divert any portion of an employee's
732 wages unless (1) the employer is required or empowered to do so by
733 state or federal law, or (2) the employer has written authorization from
734 the employee for deductions on a form approved by the commissioner,
735 or (3) the deductions are authorized by the employee, in writing, for
736 medical, surgical or hospital care or service, without financial benefit
737 to the employer and recorded in the employer's wage record book, or
738 (4) the deductions are for contributions attributable to automatic
739 enrollment, as defined in section 31-71j, as amended by this act, in a
740 retirement plan described in Section 401(k), 403(b), 408, 408A or 457 of
741 the Internal Revenue Code of 1986, or any subsequent corresponding
742 internal revenue code of the United States, as from time to time
743 amended, established by the employer, or in the Connecticut
744 Retirement Security Program established pursuant to section 3 of this

745 act, or (5) the employer is required under the law of another state to
746 withhold income tax of such other state with respect to (A) employees
747 performing services of the employer in such other state, or (B)
748 employees residing in such other state.

749 Sec. 19. Section 31-71j of the general statutes is repealed and the
750 following is substituted in lieu thereof (*Effective July 1, 2016*):

751 (a) As used in this section: (1) "Automatic enrollment" means a plan
752 provision in an employee retirement plan described in Section 401(k)
753 or 403(b) of the Internal Revenue Code of 1986, or any subsequent
754 corresponding internal revenue code of the United States, as from time
755 to time amended, or a governmental deferred compensation plan
756 described in Section 457 of said Internal Revenue Code, or a payroll
757 deduction Individual Retirement Account plan described in Section
758 408 or 408A of said Internal Revenue Code, or the Connecticut
759 Retirement Security Program established pursuant to section 3 of this
760 act, under which an employee is treated as having elected to have the
761 employer make a specified contribution to the plan equal to a
762 percentage of compensation specified in the plan until such employee
763 affirmatively elects to not have such contribution made or elects to
764 make a contribution in another amount; and (2) "automatic
765 contribution arrangement" means an arrangement under an automatic
766 enrollment plan under which, in the absence of an investment election
767 by the participating employee, contributions made under such plan are
768 invested in accordance with regulations prescribed by the United
769 States Secretary of Labor under Section 404(c)(5) of the Employee
770 Retirement Income Security Act of 1974, as amended from time to
771 time.

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

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

780 (2) The employee is given notice of the investment decisions that
781 will be made in the absence of the employee's direction, a description
782 of all the investment alternatives available under the plan and a brief
783 description of procedures available for the employee to change
784 investments; and

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

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

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

795 Sec. 20. (NEW) (*Effective from passage*) (a) No member of the
796 Connecticut Retirement Security Authority board of directors, except
797 the State Comptroller or State Treasurer, or any executive director,
798 assistant executive director or authorized officer appointed by said
799 board or the principal of an entity with a contract with the authority to
800 administer the Connecticut Retirement Security Program, shall make a
801 contribution to, or knowingly solicit contributions from the board's or
802 the executive director's or assistant executive director's employees on
803 behalf of (1) an exploratory committee or candidate committee
804 established by a candidate for nomination or election to the office of
805 Governor, Lieutenant Governor, Attorney General, State Comptroller,
806 Secretary of the State or State Treasurer, (2) a political committee
807 authorized to make contributions or expenditures to or for the benefit
808 of such candidates, or (3) a party committee.

809 (b) No member of the Connecticut Retirement Security Authority
 810 board of directors, except the State Comptroller or State Treasurer, or
 811 any executive director, assistant executive director or authorized
 812 officer appointed by said board or the principal of any entity with a
 813 contract with the authority to administer the program shall make a
 814 contribution to, or knowingly solicit contributions from the board's or
 815 the executive director's or assistant executive director's employees on
 816 behalf of (1) an exploratory committee or candidate committee
 817 established by a candidate for nomination or election to the office of
 818 state senator or state representative, (2) a political committee
 819 authorized to make contributions or expenditures to or for the benefit
 820 of such candidates, or (3) a party committee.

821 (c) The provisions of this section and sections 1 to 19, inclusive, of
 822 this act, shall be severable, and, if any of their provisions are held to be
 823 unconstitutional or invalid, the validity of the remaining provisions of
 824 said sections will not be affected.

825 Sec. 21. Sections 31-410 to 31-415, inclusive, of the general statutes
 826 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>January 1, 2018</i>	New section
Sec. 14	<i>July 1, 2016</i>	1-79(12)

Sec. 15	<i>July 1, 2016</i>	1-120(1)
Sec. 16	<i>July 1, 2016</i>	1-124
Sec. 17	<i>July 1, 2016</i>	1-125
Sec. 18	<i>July 1, 2016</i>	31-71e
Sec. 19	<i>July 1, 2016</i>	31-71j
Sec. 20	<i>from passage</i>	New section
Sec. 21	<i>July 1, 2016</i>	Repealer section

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: None; Potential Minimal Revenue Loss Beginning in FY 22

Municipal Impact: None

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), for participation by eligible employers beginning in FY 18.

The bill specifies that the retirement accounts established under the CRSP be a Roth IRA, which offers tax-advantaged status under federal and state income tax law. There is no revenue impact through FY 22, with a Roth IRA plan design.¹

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 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

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.

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 at \$500,000 to \$1 million and a commensurate amount annually thereafter.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 any other relationship between DOL and participating employers.

House "A" eliminates the original bill and its associated fiscal impact and results in the impact described above.

House "B" prohibits members of the CRSA board of directors, any officer appointed by the board, the executive director or assistant director, or any vendor from soliciting contributions from or making contributions to various political committees for various political candidates. House "B" does not result in a fiscal impact.

House "C" eliminates House "B" and prohibits certain members of the CRSA board of directors from soliciting contributions from or making contributions to various political committees for various political candidates. These prohibitions do not result in a fiscal impact. In addition, House "C" includes a severability clause which is not

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

anticipated to result in a fiscal impact.

House “D” eliminates House “C” and prohibits certain members of the CRSA board of directors from soliciting contributions from or making contributions to various political committees, including party committees, for various political candidates. These prohibitions do not result in a fiscal impact. In addition, House “D” includes a severability clause which is not anticipated to result in a fiscal impact.

The Out Years

The fiscal impact identified above will continue into the future subject to inflation. There is a potential minimal revenue loss beginning in FY 22 to the extent that contributions to Roth IRA accounts are withdrawn five years or later from the date the account is opened.

OLR Bill Analysis**sHB 5591 (as amended by House "A," "B," "C" and "D")******AN ACT CREATING THE CONNECTICUT RETIREMENT SECURITY PROGRAM.*****SUMMARY:**

This bill creates the Connecticut Retirement Security Authority ("authority") to establish a program for Roth 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 age 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 the 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 at least 3% but not more than 6% 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 program costs.

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

Under the bill, the individual Roth IRAs (i.e., after tax contributions only) 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 Roth 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. 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 are 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 on, 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 program participants. It also authorizes the attorney general to investigate violations of this requirement and to seek injunctive relief regarding violations.

The bill bans the authority's board members, employees, and contractors from making or soliciting contributions for campaigns for state elective office in Connecticut.

*House Amendment "A" makes a number of changes to the underlying bill including:

1. removing the option of a traditional IRA (pre-tax contributions) under the program,
2. changing the default automatic contribution by including a limit of not more than 6% of an employee's pay (the underlying bill provided the contribution would be at least 3% but did not specify a limit),
3. requiring that contributions for a tipped employee must be a percentage of the employee's pay and not a set dollar amount,
4. requiring the authority to create a secure website with information on the program for qualified employers and vendors,
5. allowing an employer to use a vendor from the website in lieu of the bill's IRA program,
6. adding qualifications for specific appointees to the authority board of directors,
7. removing a fine for violating the bill's ban on financial conflicts of interest for board members who have a financial interest in an entity contracting with the authority,
8. requiring the board to establish procedures for participants and employees to submit complaints and grievances to the board,
9. requiring the board to establish procedures to make modifications that keep the program consistent with federal tax law and regulations and to prevent the plan from coming under the authority of the Employee Retirement Income Security Act (ERISA) of 1974,
10. specifying that employers are not responsible for collecting contributions from employees,
11. requiring the authority to study whether program participants

and potential participants have interest in a traditional IRA option, and

12. making a number of minor substantive and technical changes.

*House Amendment "B" adds the ban on political contributions by board members, employees, and contractors.

*House Amendment "C" modifies the ban to exclude the comptroller and treasurer, who are board members, and added the severability provision.

*House Amendment "D" extends the contribution ban to cover party committees.

EFFECTIVE DATE: Upon passage for the provisions creating the authority and its board, requiring the authority to establish procedures, the IRA program, and the ban on political contributions, and July 1, 2016 for the provisions conforming the authority with existing laws on quasi-publics and payroll deductions.

§ 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 (fixed dollar) amount as the authority determines, but not more than 6%; (c) for tipped employees, the contributions must be a percentage of the employee's pay and not a fixed dollar amount;
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; and

3. "vendor" means (a) a regulated investment or insurance company conducting business in the state or (b) a company conducting business in the state to (i) provide payroll or recordkeeping services and (ii) offer retirement plans or payroll deposit IRA arrangements using products of regulated investment companies, but does not include individual registered representatives, brokers, financial planners, or agents.

§ 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, who serve four-year terms. The state treasurer and state comptroller each serve as *ex officio* voting members. The bill specifies the other appointing authorities and the qualifications of those they appoint as follows, the:

1. House speaker appoints an individual with a favorable reputation for skill, knowledge, and experience in the interests of the aging population;
2. House majority leader appoints an individual with a favorable reputation for skill, knowledge, and experience in the interests of employers in retirement savings;
3. House minority leader appoints an individual with a favorable reputation for skill, knowledge, and experience in retirement investment products,
4. Senate president pro tempore appoints an individual with a

favorable reputation for skill, knowledge, and experience in the interests of employees in retirement savings,

5. Senate majority leader appoints an individual with a favorable reputation for skill, knowledge, and experience in plan design,
6. Senate minority leader appoints an individual with a favorable reputation for skill, knowledge, and experience in the interests of retirement plan brokers,
7. governor appoints an individual with a favorable reputation for skill, knowledge, and experience in matters regarding ERISA or the IRS code.

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 employees and 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 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, (1) 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 or (2) procure an equivalent insurance product for the same purpose. 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.

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 that such solicitation must be at least every 10 years for any firm that contracts to provide custodial, recordkeeping, or other services for the provision of an IRA;
5. making modifications that keep the program consistent with federal tax law and regulations and preventing the plan from coming under ERISA's authority;
6. establishing an administrative complaint and grievance process for participants and employees that includes an appeals process where the board hears and address the complaints and appeals, and

7. 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.

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 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 usual with IRAs.

Under the bill, no employer will be required to fund or be responsible for collecting the fees from participants.

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 to 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 — ROTH IRA PROGRAM

The bill requires the program to establish and maintain a Roth 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).

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)).

Unclaimed Funds

Any unclaimed funds in a participant's IRA following three years of inactivity will be treated as unclaimed funds under existing state law (CGS § 3-57a).

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 material for distribution by qualified employers to plan participants and prospective plan participants. At a minimum these 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 the tax treatment of withdrawals;
6. how a participant may obtain additional information on the program, including investment option information;
7. a description of relevant state and federal regulations, including those addressing contribution limits, and
8. 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 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 January 1, 2018, and each subsequent year, each qualified employer must provide each of its covered employees with the informational material the authority is required to prepare.

For any employee of a qualified employer who (1) is hired on or after January 1, 2018 or (2) does not meet the definition of covered employee under the bill, the employer must provide the informational material 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 material, the qualified employer must automatically enroll each of its covered employees in the program at a contribution rate (1) the employee selects or, (2) of at least 3% but not more than 6% 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 ERISA's regulatory authority. 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.

The board must provide the Labor Committee with notice of any planned delay in the program no later than seven days after the decision to delay. The notice must include the purpose of the delay and the new effective date.

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.

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.

The bill requires the authority to provide small employers with information regarding tax credits available for businesses that start employee retirement programs.

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 the case, the program must include the following features:

1. designate a lifetime income investment option, with spousal rights, 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 their account balance in the lifetime income investment.

Fund Distribution

The authority must establish rules and procedures for Roth IRA fund distribution that allow for the same distribution as the IRS code. Normal retirement age is 59 ½ years for Roth IRAs under federal tax law (26 USC 408A).

Right to Withdraw Funds

The board must inform participants about their rights to withdraw funds from the program in accordance with the IRS code. For participants who elect to withdraw their assets before their normal retirement age (59 ½), the authority must notify them of any tax penalties associated with the withdrawal and the effect of the

withdrawal on the person's retirement income.

§ 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 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, 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 the bill requires, 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.

§ 11 — BOOKKEEPING AND AUDITS

Under the bill, the authority must keep an account of 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. The report is subject to the auditor's 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 in 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 — STUDIES

The bill requires the authority to study whether program participants and potential participants have interest in a traditional IRA option, including the number of participants who would prefer a tax-deferred plan. The authority must submit the report by January 1, 2019 to the Labor and Public Employees Committee.

It also 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 — WEBSITE FOR EMPLOYERS AND VENDORS

The bill requires the authority to establish and maintain a secure Internet website to (1) provide qualified employers with information on employer-sponsored retirement plans and payroll deduction IRAs and (2) assist qualified employers in identifying vendors for retirement arrangements that the employers may implement in lieu of participation in the program. The website address must be included in any posting on the website and in any material offered to the public regarding the program.

Before implementing the website, and at least annually each

following year, the authority must provide notice to vendors:

1. that the website is active,
2. that such vendors may register for inclusion on the website, and
3. regarding the process for inclusion on the website.

The board must also establish an appeals process for vendors that are denied registration or removed from the website.

The bill requires each vendor seeking to register for the website to provide:

1. a statement of the vendor's experience providing employer-sponsored retirement plans and payroll deduction IRAs in this state and in other states, if applicable;
2. a description of the vendor's types of retirement investment products; and
3. a disclosure of all expenses paid directly or indirectly by retirement plan participants, including, but not limited to, penalties for early withdrawals, declining or fixed withdrawal charges, surrender or deposit charges, management fees and annual fees.

The bill states that the cost of establishing and maintaining the registration system and the website is to be borne solely and equally by registered vendors, based upon the total number of vendors.

The board may remove a vendor from the website if the vendor: (1) submits materially inaccurate information to the board, (2) does not remit assessed fees within 60 days from the assessment, 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 inaccurate information to the

board must be given 60 calendar days to correct the information.

§§ 14-17 — 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.

§§ 18 & 19 — 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.

§ 20 — 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.

§ 501 – BAN ON POLITICAL CONTRIBUTIONS

The bill bans authority board members (except the comptroller or state treasurer), or any executive director, assistant executive director or authorized officer the board appoints, or an authority contractor or principal of a contractor, from making political contributions to, or knowingly soliciting contributions from the board's or the executive director's or assistant executive director's employees.

The ban applies to contributions or solicitations for the following:

1. an exploratory committee or candidate committee established by a candidate for nomination or election to the office of governor, any of the state constitutional officers, or state senator or state representative,
2. a political committee authorized to make contributions or expenditures to or for the benefit of such candidates, or

3. a party committee.

The bill specifies that its provisions are severable in the event any particular provision is held invalid or unconstitutional.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute

Yea 8 Nay 5 (03/10/2016)