



House of Representatives

General Assembly

File No. 7

January Session, 2023

Substitute House Bill No. 6552

House of Representatives, March 2, 2023

The Committee on Labor and Public Employees reported through REP. SANCHEZ, E. of the 24th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE CONNECTICUT RETIREMENT SECURITY PROGRAM.

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

1 Section 1. Section 31-416 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 As used in this section, section 31-71e, [and] sections 31-417 to [31-
4 427] 31-426, inclusive, as amended by this act, and sections 7 to 9,
5 inclusive, of this act:

6 (1) "Board" means the Connecticut Retirement Security Advisory
7 Board established pursuant to section 31-417, as amended by this act;

8 (2) "Contribution level" means (A) the contribution rate selected by
9 the participant that may be expressed as (i) a percentage of the
10 participant's taxable wages as is required to be reported under Sections
11 6041 and 6051 of the Internal Revenue Code of 1986, or any subsequent
12 corresponding internal revenue code of the United States, as amended
13 from time to time, or (ii) a dollar amount up to the maximum deductible
14 amount for the participant's taxable year under Section 219(b)(1) of the

15 Internal Revenue Code of 1986, or any subsequent corresponding
16 internal revenue code of the United States, as amended from time to
17 time; or (B) in the absence of an affirmative election by the participant,
18 three per cent of the participant's taxable wages as is required to be
19 reported under Sections 6041 and 6051 of the Internal Revenue Code of
20 1986, or any subsequent corresponding internal revenue code of the
21 United States, as amended from time to time. The contribution level of
22 a participant who customarily and regularly receives gratuities in
23 conjunction with his or her employment shall be a percentage of such
24 participant's wages as is required to be reported under Sections 6041
25 and 6051 of the Internal Revenue Code of 1986, or any subsequent
26 corresponding internal revenue code of the United States, as amended
27 from time to time;

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

34 (4) "Participant" means any individual participating in the program;

35 (5) "Program" means the Connecticut Retirement Security Program
36 established pursuant to section 31-418, as amended by this act;

37 (6) "Qualified employer" means any person, corporation, limited
38 liability company, firm, partnership, voluntary association, joint stock
39 association or other entity doing business in the state during the
40 calendar year, whether for profit or not for profit, that employed on
41 October first of the preceding calendar year five or more individuals in
42 the state and has paid not less than five of such individuals taxable
43 wages of not less than five thousand dollars in the preceding calendar
44 year. "Qualified employer" does not include: (A) The federal
45 government, (B) the state or any political subdivision thereof, (C) any
46 municipality, unit of a municipality or municipal housing authority, (D)
47 an employer employing only individuals whose services are excluded

48 under subdivision (5) of subsection (a) of section 31-222, or (E) an
49 employer that was not in existence at all times during the current
50 calendar year and the preceding calendar year;

51 (7) "Individual retirement account" means a Roth IRA;

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

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

60 (10) "Vendor" means (A) a federally regulated retirement plan
61 sponsor conducting business in the state, including, but not limited to,
62 a federally regulated investment company or an insurance company, or
63 (B) a company conducting business in the state to (i) provide ancillary
64 services, including, but not limited to, technological, payroll or
65 recordkeeping services, and (ii) offer retirement plans or payroll deposit
66 individual retirement account arrangements using products of
67 regulated retirement plan sponsors. "Vendor" does not include
68 individual registered representatives, brokers, financial planners or
69 agents; and

70 (11) "Fee" means investment management charges, administrative
71 charges, investment advice charges, trading fees, marketing and sales
72 fees, revenue sharing, broker fees and other costs necessary to
73 administer the program.

74 Sec. 2. Subsections (f) to (i), inclusive, of section 31-417 of the general
75 statutes are repealed and the following is substituted in lieu thereof
76 (*Effective from passage*):

77 (f) [Eight] A majority of the members of the board shall constitute a
78 quorum. Any action taken by the board shall be by a majority vote of

79 the members present. Each member shall be entitled to one vote on the
80 board.

81 (g) (1) No member of the board or any officer, agent or employee of
82 the Comptroller administering the program shall, directly or indirectly,
83 have any financial interest in any corporation, business trust, estate,
84 trust, partnership or association, two or more persons having a joint or
85 common interest, or any other legal or commercial entity contracting
86 with the program.

87 (2) Notwithstanding the provisions of subdivision (1) of this
88 subsection or any other section of the general statutes, it shall not be a
89 conflict of interest or a violation of the provisions of said subdivision or
90 any other section of the general statutes for a trustee, director, officer or
91 employee of a bank, investment advisor, investment company or
92 investment banking firm, or a person having the required favorable
93 reputation for skill, knowledge and experience in retirement savings, to
94 serve as a member of the board, provided, in each case to which the
95 provisions of this subdivision are applicable, such trustee, director,
96 officer or employee of such a firm abstains from discussion,
97 deliberation, action and vote by the board in specific respect to any
98 undertaking pursuant to this section, section 31-71e, sections 31-418 to
99 [31-427] 31-426, inclusive, as amended by this act, in which such firm
100 has a direct interest separate from the interests of all similar firms
101 generally.

102 (h) The board, on behalf of the authority, and for the purpose of
103 implementing the Connecticut Retirement Security Program established
104 pursuant to section 31-418, as amended by this act, shall advise the
105 Comptroller on matters including:

106 (1) Using surplus funds to the extent authorized under sections 31-
107 71e, 31-71j, 31-416 to [31-427] 31-426, inclusive, as amended by this act,
108 and 31-429, as amended by this act, or other provisions of the general
109 statutes; and

110 (2) Making modifications to the program that the board deems

111 necessary to implement the provisions of section 31-71e, sections 31-417
112 to [31-427] 31-426, inclusive, as amended by this act, consistent with
113 federal rules and regulations in order to ensure that the program meets
114 all criteria for federal tax-deferral or tax-exempt benefits, and to prevent
115 the program from being treated as an employee benefit plan under the
116 federal Employee Retirement Income Security Act of 1974, as amended
117 from time to time.

118 (i) Any money expended from the General Fund for the purpose of
119 administering the Connecticut Retirement Security Program [, or
120 providing compensation for covered employees,] shall be reimbursed to
121 the General Fund. [not later than October 1, 2023.]

122 Sec. 3. Section 31-418 of the general statutes is repealed and the
123 following is substituted in lieu thereof (*Effective from passage*):

124 (a) There is established the Connecticut Retirement Security Program,
125 the purpose of which shall be to promote and enhance retirement
126 savings for private sector employees in the state, to be administered by
127 the Comptroller. The office of the Comptroller shall constitute a
128 successor agency to the Connecticut Retirement Security Authority for
129 the purposes of administering the Connecticut Retirement Security
130 Program, in accordance with subsections (a), (b), (c), (d) and (f) of
131 sections 4-38d and 4-38e. The Comptroller in consultation with the
132 board, may:

133 (1) Establish criteria and guidelines for the program to offer qualified
134 retirement investment choices. Such criteria and guidelines shall
135 establish a cap on total annual fees and shall provide participants with
136 information regarding each retirement investment choice's historical
137 investment performance;

138 (2) Receive and invest moneys in the program in any instruments,
139 obligations, securities or property in accordance with section 31-423;

140 (3) Contract with financial institutions or other organizations offering
141 or servicing retirement programs. The Comptroller may require that

142 each participant be charged a fee to defray the costs of the program. The
143 amount and method of collection of such fee shall be determined by the
144 Comptroller. No employer shall be required to fund or be responsible
145 for collecting fees from plan participants;

146 (4) Charge and equitably apportion among participants the
147 administrative costs and expenses incurred in the exercise of the
148 Comptroller's powers and duties as granted by this section;

149 (5) Borrow working capital funds and other funds as may be
150 necessary for the start-up and continuing operation of the program,
151 provided such funds are borrowed in the name of the program only.
152 Such borrowings shall be payable solely from revenues of the program;

153 (6) Do all things necessary or convenient to carry out the provisions
154 of section 31-71e, and sections 31-417 to [31-427] 31-426, inclusive, as
155 amended by this act; and

156 (7) Establish an administrative process by which participants,
157 potential participants and employees may submit grievances,
158 complaints and appeals to the Comptroller and have such grievances,
159 complaints and appeals heard and addressed by the Comptroller.

160 (b) (1) The Comptroller may adopt regulations in accordance with the
161 provisions of chapter 54 to implement the provisions of section 31-425.
162 The Comptroller may adopt regulations concerning program
163 enforcement activities, including, but not limited to, financial penalties,
164 for the administration of the program.

165 [(b)] (2) The Comptroller [shall] may enter into memoranda of
166 understanding with the Labor Department and other state agencies
167 regarding [(1)] (A) the gathering or dissemination of information
168 necessary for the operations of the program, subject to such obligations
169 of confidentiality as may be agreed or required by law, [(2)] (B) the
170 sharing of costs incurred pursuant to the gathering and dissemination
171 of such information, and [(3)] (C) the reimbursement of costs for any
172 enforcement activities conducted pursuant to section 31-425. Each state

173 agency may also enter into such memoranda of understanding.

174 (c) The Comptroller may adopt regulations in accordance with the
175 provisions of chapter 54 to implement the provisions of this chapter,
176 including, but not limited to, regulations concerning the protection of
177 program participants' personal and confidential information.

178 Sec. 4. Subsection (a) of section 31-421 of the general statutes is
179 repealed and the following is substituted in lieu thereof (*Effective from*
180 *passage*):

181 (a) The Comptroller, in conducting the business of the program shall
182 act: (1) With the care, skill, prudence and diligence under the
183 circumstances then prevailing that a prudent person acting in a like
184 capacity and familiar with such matters would use in the conduct of an
185 enterprise of like character and with like aims; (2) solely in the interests
186 of the program's participants and beneficiaries; (3) for the exclusive
187 purposes of providing benefits to participants and beneficiaries and
188 defraying reasonable expenses of administering the program; and (4) in
189 accordance with the provisions of section 31-71e, and sections 31-417 to
190 [31-427] 31-426, inclusive, as amended by this act, and any other
191 applicable sections of the general statutes.

192 Sec. 5. Subsection (a) of section 31-422 of the general statutes is
193 repealed and the following is substituted in lieu thereof (*Effective from*
194 *passage*):

195 (a) (1) [Not later than January 1, 2018, and annually thereafter, each]
196 Each qualified employer shall annually provide each of its covered
197 employees with the informational materials prepared by the
198 Comptroller pursuant to section 31-419. For any employee of a qualified
199 employer who (A) is hired on or after January 1, 2018, or (B) does not
200 meet the definition of covered employee pursuant to section 31-416, as
201 amended by this act, such qualified employer shall provide such
202 informational materials to such employee not later than thirty days, or
203 such other time period as prescribed by the Comptroller, after (i) the
204 date of such employee's hiring, or (ii) the date such employee meets the

205 definition of covered employee pursuant to section 31-416, as amended
206 by this act.

207 (2) Not later than sixty days after a qualified employer provides
208 informational materials to a covered employee in accordance with
209 subsection (a) of this section, or such other time period as prescribed by
210 the Comptroller, and subject to the provisions of subdivision (3) of this
211 subsection, such qualified employer shall automatically enroll each of
212 its covered employees in the program at the participant's contribution
213 level in accordance with the provisions of section 31-71j.

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

216 (4) (A) A qualified employer that (i) maintains a retirement plan or
217 retirement arrangement described under Section 219(g)(5) of the
218 Internal Revenue Code of 1986, or any subsequent corresponding
219 internal revenue code of the United States, as amended from time to
220 time, or (ii) any other retirement arrangement approved by the
221 Comptroller, shall be exempt from the requirements of subdivisions (1)
222 and (2) of this subsection.

223 (B) A qualified employer shall not be considered to maintain a
224 retirement plan or retirement arrangement described under said Section
225 219(g)(5) or any other retirement arrangement approved by the
226 Comptroller pursuant to subparagraph (A) of this subdivision, if the
227 Comptroller determines that (i) as of the first day of the previous
228 calendar year, no new participant was eligible to be enrolled in a
229 retirement plan or retirement arrangement maintained by such
230 qualified employer, and (ii) on and after the first day of the previous
231 calendar year, no contributions were made to such retirement plan or
232 retirement arrangement by or on behalf of a participant in such plan or
233 arrangement.

234 (5) The Comptroller may defer the effective date of the program, in
235 whole or in part, and for particular categories of employers, as the
236 Comptroller deems necessary to effectuate the purposes of section 31-

237 71e, and sections 31-417 to [31-427] 31-426, inclusive, as amended by this
238 act, in a manner that minimizes the disruption and burdens that may
239 exist for any qualified employer. The Comptroller shall provide notice
240 of any deferment of the effective date of the program to the chairpersons
241 and ranking members of the joint standing committee of the General
242 Assembly having cognizance of matters relating to labor not later than
243 seven days after the Comptroller has deemed such deferment necessary.
244 Such notice shall include the categories of employers affected, the
245 purpose for which the deferment was granted and the new effective date
246 of the program.

247 Sec. 6. Subsection (c) of section 31-429 of the general statutes is
248 repealed and the following is substituted in lieu thereof (*Effective from*
249 *passage*):

250 (c) The provisions of this section, and sections 31-71e, 31-71j and 31-
251 416 to [31-427] 31-426, inclusive, as amended by this act, shall be
252 severable, and, if any of their provisions are held to be unconstitutional
253 or invalid, the validity of the remaining provisions of said sections will
254 not be affected.

255 Sec. 7. (NEW) (*Effective from passage*) No individual who serves as a
256 member of the advisory board shall be subject to civil liabilities for the
257 debts, obligations or liabilities of the Connecticut Retirement Security
258 Program as provided in this chapter. The Comptroller shall indemnify
259 and hold harmless any individual who acts pursuant to this chapter in
260 such capacity as an advisory board member.

261 Sec. 8. (NEW) (*Effective from passage*) Qualified employers shall not be
262 held liable for an employee's decision whether or not to participate in
263 the Connecticut Retirement Security Program or for the investment
264 decisions of the board or of any enrollee. Qualified employers shall not
265 (1) be a fiduciary, or be considered to be a fiduciary, over the program,
266 (2) bear responsibility for the administration, investment or investment
267 performance of the program, or (3) be liable with regard to investment
268 returns, program design and benefits paid to program participants.

269 Sec. 9. (NEW) (*Effective from passage*) The Comptroller, in
 270 administering the Connecticut Retirement Security Program, may enter
 271 into an intergovernmental agreement, memorandum of cooperation or
 272 memorandum of agreement with another state, the District of
 273 Columbia, Puerto Rico, the United States Virgin Islands or any territory
 274 or insular possession subject to the jurisdiction of the United States
 275 relating to areas of collaboration, including, but not limited to, data
 276 collection, shared program administration and financial services,
 277 pooled investment of assets, marketing and outreach support, program
 278 evaluation and research, data collection and participant privacy and any
 279 other area of collaboration.

280 Sec. 10. Section 31-427 of the general statutes is repealed. (*Effective*
 281 *from passage*)

| | | |
|---|---------------------|------------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>from passage</i> | 31-416 |
| Sec. 2 | <i>from passage</i> | 31-417(f) to (i) |
| Sec. 3 | <i>from passage</i> | 31-418 |
| Sec. 4 | <i>from passage</i> | 31-421(a) |
| Sec. 5 | <i>from passage</i> | 31-422(a) |
| Sec. 6 | <i>from passage</i> | 31-429(c) |
| 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> | Repealer section |

Statement of Legislative Commissioners:

In Section 1, "and sections 31-417 to [31-427] 31-426, inclusive, as amended by this act," was changed to "[and] sections 31-417 to [31-427] 31-426, inclusive, as amended by this act, and sections 7 to 9, inclusive, of this act" for proper form, in Section 7 "individual who serves as a member of the advisory board" was added for clarity and in Section 9, ", in administering the Connecticut Retirement Security Program," was added for clarity.

LAB *Joint Favorable Subst.*

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

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect |
|-----------------|----------------|
| Comptroller | GF - See Below |

Note: GF=General Fund

Municipal Impact: None

Explanation

Section 2 of the bill will result in a delay in revenue gain to the General Fund until the Connecticut Retirement Security Program will be self-sufficient. Thus far, the program has expended \$558,889 and is projected to expend a total of \$1,975,405 until it will be self-sufficient in FY 28.

The bill makes several other technical changes that have no fiscal impact.

The Out Years

The General Fund is anticipated to be fully reimbursed from resources of the Connecticut Retirement Security Program by FY 35.

OLR Bill Analysis

sHB 6552

AN ACT CONCERNING THE CONNECTICUT RETIREMENT SECURITY PROGRAM.

SUMMARY

This bill makes various changes to the Connecticut Retirement Security Program, a program administered by the Office of the State Comptroller to establish a retirement program with Roth individual retirement accounts (IRAs) for eligible private-sector employees. Among other things, the bill:

1. reduces how long an employee must work for their employer to be a “covered employee” under the program;
2. eases quorum and voting requirements for the program’s advisory board;
3. removes a deadline for the program to repay the General Fund for certain expenses;
4. allows the comptroller to adopt regulations on program enforcement activities, including financial penalties;
5. removes an obsolete January 1, 2018, deadline for employers to begin annually providing their employees with certain informational materials on the program;
6. gives certain liability protections to advisory board members and employers covered by the program;
7. allows the comptroller to enter into intergovernmental agreements to collaborate on things like data collection, shared program administration, and pooled investments;

8. repeals a requirement for the comptroller to set up and maintain a website for qualified employers and vendors (§ 10); and
9. makes various conforming changes (e.g., §§ 4 & 6).

EFFECTIVE DATE: Upon passage

§ 1 — COVERED EMPLOYEES

The bill reduces, from 120 days to 60 days, how long an employee must work for their employer to be a “covered employee” under the program. By law, employers covered by the program must give employees certain information about the program within 30 days after they become a “covered employee,” and automatically enroll them in the program within 60 days after that. Covered employees may opt out of the program by selecting a contribution level of zero (CGS § 31-422).

§ 2 — ADVISORY BOARD & GENERAL FUND REPAYMENT

By law, the Connecticut Retirement Security Advisory Board advises the comptroller on matters like using the program’s surplus funds and modifying the program to meet federal tax law and regulations. The bill changes the board’s quorum requirement from eight of the board’s members to a majority, and allows the board to act by a majority vote of present members. (By law, the board is 15 members.)

It also removes (1) an October 1, 2023, deadline for the program to reimburse the General Fund for any money spent from it to administer the program and (2) a requirement for the reimbursement to also cover General Fund costs of providing compensation for covered employees.

§ 3 — COMPTROLLER REGULATIONS AND MOUS

The bill allows the comptroller to adopt regulations (1) about program enforcement activities, such as financial penalties, to administer the program, and (2) to implement the program’s provisions on violations and possible civil actions.

It also allows, instead of requires, the comptroller to enter into memoranda of understanding (MOUs) with the Department of Labor

and other state agencies about (1) gathering or disseminating information needed to operate the program, (2) sharing the costs of doing so, and (3) reimbursing costs for certain enforcement activities.

§§ 7-8 — INDEMNITY AND LIABILITY PROTECTION

The bill protects anyone who serves on the program’s advisory board from being subject to civil liabilities for the program’s debts, obligations, or liabilities, and requires the comptroller to indemnify and hold harmless anyone acting under the law as an advisory board member (§ 7).

Under the bill, employers covered by the program are not (1) liable for their employees’ decisions to participate or not in the program or the board’s or enrollees’ investment decisions; (2) fiduciaries of the program, (3) responsible for the program’s administration, investments, or investment performance; or (4) liable for investment returns, program design, and benefits paid to participants (§ 8).

§ 9 — INTERGOVERNMENTAL AGREEMENTS

The bill allows the comptroller, in administering the program, to enter into an intergovernmental agreement, memorandum of cooperation, or MOU on things such as data collection, shared program administration and financial services, pooled investment of assets, marketing and outreach support, program evaluation and research, participant privacy, and any other collaboration area. He may enter into these agreements with another state, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, or any territory or insular possession under U.S. jurisdiction.

COMMITTEE ACTION

Labor and Public Employees Committee

Joint Favorable Substitute
Yea 7 Nay 4 (02/16/2023)