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STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
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WRITTEN TESTIMONY

Kevin Lembo
State Comptroller

Concerning

H.B. 5591 An Act Creating the Connecticut Retirement Security Program
S.B. 221 An Act Concerning Paid Family and Medical Leave

March 8, 2016

Good afternoon Senator Gomes, Representative Tercyak, Senator Hwang, Representative Rutigliano and Members of the Labor Committee:

Thank you for raising these pieces of legislation and providing the opportunity to express my support.

H.B. 5591 An Act Creating the Connecticut Retirement Security Program

Thank you for raising H.B. 5591 An Act Creating the Connecticut Retirement Security Program and providing me an opportunity to present testimony on the need for this bill.

Nearly 600,000 Connecticut residents do not have access to workplace-based retirement savings. More than 4 out of 10 workers residing in Connecticut do not have access to a retirement plan at work and the number is increasing. There is an entire generation of employees, many of them lifelong hard-working middle class people, who are headed to retirement financially unequipped, in part due to lack of access to a workplace-based retirement savings option. This is a problem, not only for those individuals and families who are financially forced to delay retirement indefinitely, but for our entire state and economy.

The legislature established the Connecticut Retirement Security Board (CRSB) in 2014 – co-chaired by myself and State Treasurer Denise L. Nappier – to submit evidence-based recommendations on the creation of a retirement program for private-sector workers in Connecticut currently without access to workplace savings. The CRSB submitted the market feasibility study report to you for January 1, 2016 and an implementation plan in the form of proposed legislation just last week.

I strongly believe that a private-sector solution should be the first answer to this challenge – but the market is currently failing to reach nearly half of our workforce. Implementation of this program will actually push many businesses out into the private market. In fact, in the market feasibility study survey of Connecticut employers, approximately half of the employers said that – should the program be implemented -- they would go out into the private market.

This program – following substantial market research and broad input from the public, academics and business community – provides a solid framework to address Connecticut's growing retirement gap for those businesses that do not wish to establish a plan through the private market. The goal is not to compete with or replace the private market, but to fulfill a significant unmet need in the market that must be answered for the sake of those families and our entire state economy.

The proposed program would consist of Individual Retirement Accounts (IRA) and would not require that participating employers contribute to the program, only that they provide a payroll deduction mechanism for employees to contribute. The program would only apply to businesses with five or more employees that do not already offer a 401K plan or other workplace-based retirement savings option to all of their employees. Employee participation in the program would be voluntary, in that they would be automatically enrolled at a default contribution rate but could opt out or change their contribution at any time.

This bill would enact the key elements of that program and follows more than a year of market research, public hearings and meetings, as well as broad input from employers, potential plan participants, representatives of the financial sector and other stakeholders.

Although the CRSB recommended specific program design features based on the feasibility study, like a 6% default contribution rate, the provision of both pre-tax and post-tax IRAs, a default into a pre-tax IRA, and a target date fund investment option instead of a guaranteed rate of return, the bill specifically allows for the program's governing body to have flexibility in changing these features to more closely align with participants' needs as they become clear and any future changes to federal and state law.

The study found that over 80% of employees automatically enrolled would choose to remain in the program as designed in the bill. The CRSB feasibility study shows that the program would be feasible, would cover its costs and be self-sustaining likely by the end of year two, and would be able to repay its start-up expenses likely by year five.

The program is designed to operate with a minimal burden on employers, to achieve a low cost retirement vehicle for Connecticut employees not covered by an employer's plan, operate without liability for the State and without commingling with other State assets, and without requiring appropriations to support the program. The program's governing body would be an independent quasi-public entity, disconnected from the state's revenue and appropriations processes, and operating with a maximum level of transparency.

Retirement plans in general are regulated by the federal ERISA statute, but generally retirement plans operated by the states are exempt from ERISA. The U.S. Department of Labor has indicated in a proposed safe harbor that state programs like the program created by this bill would fall outside of ERISA. Because this program does not fall within ERISA's regulations, this bill contains important consumer protections for participants and retirees that mirror ERISA's protections.

With my written testimony, I have included a markup of the bill prepared by counsel to the CRSB that suggests improvements to it that would track the CRSB's recommendations more closely. I would ask the Committee to consider these changes, which would improve the program.

I urge you to support the passage of this legislation.

S.B. 221 An Act Concerning Paid Family and Medical Leave

A mechanism to offer an insurance product for replacement income for employees who need time away from work, consistent with the Connecticut Family Medical Leave Act (FMLA), will make family and medical leave a more meaningful benefit and bolster family financial security.

As a member of the Paid Family and Medical Leave Insurance Task Force and Paid Family and Medical Leave Implementation Work Group, my office participated in the process and assisted the Institute of Women's Policy Research (IWPR) with the February 2016 report mandated by the Connecticut General Assembly and contracted by Connecticut Department of Labor. In this report, IWPR modeled different implementation scenarios for paid family and medical leave here in Connecticut.

One scenario modeled was last year's House Bill 6932, which was modified with technical changes and is this year's S.B. 221. The analysis showed that if implemented, the number of unpaid leaves taken for maternity and child bonding would decrease to 7.4% from the current leave policy's rate of 23.6%.

IWPR also highlighted that 74% of Connecticut's children live in a home where all parents work and one-fifth of the Connecticut population is above the age of 60. Recent studies of caregivers of children and elderly parents in the U.S. have shown that women overwhelmingly fulfill the caregiving role. However, this is not a women-only issue. The state of California implemented paid family leave in 2004 and saw a 400% increase in the number of men who applied for the leave as their program became more known. Additionally, the National Partnership for Women and Families has noted fathers are more likely to be involved in the direct, long-term care of their children when they take leave after their child's birth.

According to AARP, studies show that throughout the year, there are 711,000 family caregivers in Connecticut providing 46 million hours of care, which has a value of \$5.8 billion. If family caregivers are no longer available, the cost to the U.S. healthcare and long-term services and support systems would increase significantly. Removing the threat of financial insecurity with paid family and medical leave would help alleviate additional burdens on already strained services and state resources.

The benefits to employees are clear, but employers may benefit from paid family and medical leave as well. In a comprehensive study of California's Family Leave Insurance program, a majority of employers showed either a cost savings or no additional costs related to implementation. According to a consultant for the New Jersey Business and Industry Association (NJBIA), New Jersey businesses have experienced little difficulty adjusting to the requirements of the state's laws and reported no impact on business profitability or employee productivity, no matter the size of the employer. Businesses in both states also credited the state paid family and medical leave laws with increased morale and loyalty among their employees.

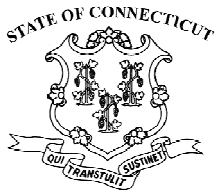
Unlike New Jersey, where employers are required to contribute toward the paid family and medical leave program, and proposed legislation in Massachusetts which makes employers the sole funders of the program, S.B. 221 funds the program by employees contributing a little more

than half of one percent of total earnings with no contributions from employers. IWPR's report projects the average weekly cost per worker to be \$5.83 for up to \$1000 in weekly wage replacement for twelve weeks. The report further projects the program to be completely self-sustaining with no cost to the state.

While there may be concern about instituting such a new and robust program at a time when Connecticut state government faces economic uncertainty and possible instability, the implementation plan provided in IWPR's report provides for a year-long phased-in approach. It would be ideal for this bill to be amended to reflect the report's recommendations.

Further, a paid family and medical leave program would enable workers to continue to contribute to the economy during times they would normally be unable to do so and also avoid additional strain on limited state government social program resources.

I hope you will support this legislation for your families, my family and Connecticut's working families. Thank you.



WORKING DRAFT

General Assembly

Raised Bill No. 5591

February Session, 2016

LCO No. 2679

*02679 _____ LAB

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Referred to Committee on LABOR AND PUBLIC EMPLOYEES

Introduced by:
(LAB)

AN ACT CREATING THE CONNECTICUT RETIREMENT SECURITY PROGRAM.

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

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

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

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

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

{02229977; 2; 60181-1 }

LCO No. 2482

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12 ~~as amended from time to time, as defined in section 31-222 of the~~
13 ~~general statutes~~, 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 six 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, or such other amount as
22 determined by the authority;

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

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

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

33 (7) "Qualified employer" means any person, corporation, limited
34 liability company, firm, partnership, voluntary association, joint stock
35 association or other entity doing business in the state during the
36 calendar year, whether for profit or not for profit, that employed on
37 October first of the preceding calendar years five or more persons
38 individuals in the state and has paid at least five of such individuals
39 ~~each such person taxable wages of~~ not less than five thousand dollars
40 in the preceding calendar year. "Qualified employer" does not include:
41 (A) The federal government, (B) the state or any political subdivision

Comment [GB1]: Contribution level, whether elected by the participant or the default amount in subsection (B) should be a percentage based on the same definition of taxable wages - IRC

Comment [EL2]: Keying this definition to the unemployment comp statute allows an employer to know immediately if an employee is covered UC already has a mechanism for interstate issues.

Comment [EL3]: This gives a constitutional base for the application of the statute.

Comment [EL4]: We think a date certain will help employers.

{02229977; 2; 60181-1}

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42 thereof, (C) any municipality, unit of a municipality or municipal
43 | housing authority, (D) an employer employing only an individuals
44 whose service is excluded under subdivision (5) of subsection (a) of
45 section 31-222 of the general statutes, or (E) an employer that was not
46 in existence at all times during the current calendar year and the
47 preceding calendar year;

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

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

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

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

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

69 (b) The powers of the authority shall be vested in and exercised by a
70 board of directors, which shall consist of nine voting members, each a

{02229977; 2; 60181-1}

Comment [EL5]: May need to change the last sentence if DOL guidance regarding state autoenroll IRAs requires that the authority be linked more closely to the state

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71 resident of state, (1) the State Treasurer who shall serve as an ex officio
72 voting member; (2) the State Comptroller who shall serve as an ex
73 officio voting member; (3) one appointed by the speaker of the House
74 of Representative who shall serve an initial term of four years; (4) one
75 appointed by the majority leader of the House of Representatives who
76 shall serve an initial term of four years; (5) one appointed by the
77 minority leader of the House of Representatives, who shall serve a
78 term of four years; (6) one appointed by the president pro tempore of
79 the Senate, who shall serve a term of four years; (7) one appointed by
80 the majority leader of the Senate, who shall serve a term of four years;
81 (8) one appointed by the minority leader of the Senate, who shall serve
82 a term of four years; and (9) one appointed by the Governor, who shall
83 serve a term of four years. Thereafter, said members of the General
84 Assembly and the Governor shall appoint members of the board to
85 succeed such appointees whose terms expire and each member so
86 appointed shall hold office for a term of six years from July first in the
87 year of his or her appointment. Appointed members shall include: (A)
88 An individual with a favorable reputation for skill, knowledge and
89 experience in the interests of employees in retirement savings; (B) an
90 individual with a favorable reputation for skill, knowledge and
91 experience in the interests of employers in retirement savings; and (C)
92 an individual having a favorable reputation for skill, knowledge and
93 experience in offering retirement savings products or advice. Each ex-
94 officio member may designate such member's deputy or any member
95 of such member's staff to represent such member at meetings of the
96 board with full power to act and vote on such member's behalf.

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

101 (d) The Governor, with the advice and consent of both houses of the
102 General Assembly, shall select a chairperson of the board from among
{02229977; 2; 60181-1}

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103 the members of the board. The board shall annually elect a vice-
104 chairperson and such other officers as it deems necessary from among
105 its members. The board may appoint an executive director and
106 assistant executive director, who shall not be members of the board
107 and who shall serve at the pleasure of the board. The executive
108 director and assistant executive director shall be employees of the
109 authority and shall receive such compensation as prescribed by the
110 board.

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

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

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

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134 Secretary of the State. The cost of each such bond shall be paid by the
135 authority.

136 (g) An authorized officer or the executive director, if one is
137 appointed by the board pursuant to subsection (d) of this section, shall
138 supervise the administrative affairs and technical activities of the
139 program in accordance with the directives of the board. Such
140 authorized officer or executive director, as the case may be, shall keep
141 a record of the proceedings of the program and shall be custodian of
142 all books, documents and papers filed with the program, the minute
143 book or journal of the program and its official seal. Such authorized
144 officer or executive director, as the case may be, may cause copies to be
145 made of all minutes and other records and documents of the program
146 and may give certificates under the official seal of the program to the
147 effect that such copies are true copies, and all persons dealing with the
148 program may rely upon such certificates.

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

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

160 (2) Notwithstanding the provisions of subdivision (1) of this
161 subsection or any other section of the general statutes, it shall not be a
162 conflict of interest or a violation of the provisions of said subdivision
163 or any other section of the general statutes, for a trustee, director,

{02229977; 2; 60181-1}

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164 officer or employee of a bank, investment advisor, investment
165 company or investment banking firm, or a person having the required
166 favorable reputation for skill, knowledge and experience in retirement
167 savings, to serve as a member of the board, provided, in each case to
168 which the provisions of this subdivision are applicable, such trustee,
169 director, officer or employee of such a firm abstains from discussion,
170 deliberation, action and vote by the board in specific respect to any
171 undertaking pursuant to this section or sections 3 to 11, inclusive, of
172 this act in which such firm has a direct interest separate from the
173 interests of all similar firms generally.

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

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

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

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

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

{02229977; 2; 60181-1}

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193 solicitation shall be not less than every ten years; and

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

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

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

206 Sec. 3. (NEW) (*Effective from passage*) (a) There is established the
207 Connecticut Retirement Security Program the purpose of which shall
208 be to promote and enhance retirement savings for private sector
209 employees in the state. ~~Before opening the program for enrollment,~~
210 ~~the board of directors of the Connecticut Retirement Security~~
211 ~~Authority shall be authorized and empowered to, including before~~
212 ~~opening the program for enrollment.:~~

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

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

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

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

Comment [EL6]: All the powers below should apply to all periods, not just the pre-establishment period. Also, certain acts in the list below must be permissive rather than obligatory (e.g., borrowing). If the intent is to make some of these compulsory, they should be listed separately.

{02229977; 2; 60181-1}

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

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

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

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

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

237 (10) Borrow working capital funds and other funds as may be
238 necessary for the start-up and continuing operation of the program, as
239 long as such funds are borrowed in the name of the authority only.
240 Such borrowings shall be payable solely from revenues of the
241 authority;

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

246 (12) Establish policies and procedures for the protection of program
247 participants' personal and confidential information; **and**

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248 (13) Enter into memoranda of understanding with the Labor
249 Department and other state agencies regarding (A) the gathering or
250 dissemination of information necessary for the operations of the
251 program, subject to such obligations of confidentiality as may be
252 agreed or required by law, (B) the sharing of costs incurred pursuant
253 to the gathering and dissemination of such information, and (C) the
254 reasonable sharing of costs for any enforcement activities conducted
255 pursuant to section 10 of this act. Each state agency is also authorized
256 to enter into such memoranda of understanding.; and

257 (14) Do all things necessary or convenient to carry out the purposes
258 of this act.-

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

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

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

269 (3) Clear and conspicuous notice regarding the default contribution
270 level;

271 (4) The method by which a participant may opt out of the program
272 by electing a contribution level of zero;

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

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276 available under the program;

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

280 (7) Such other information as the board may determine is necessary
281 or advisable to provide to participants, potential participants and
282 qualified employers in the state.

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

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

289 (2) The various investment options available to each participant and
290 the process by which a participant may select investment options for
291 his or her contributions in accordance with subsection (b) of section 31-
292 71j of the general statutes, as amended by this act, or as prescribed by
293 the authority;

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

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

300 (c) Not less than annually, the board shall provide each participant
301 with notification regarding fees that may be imposed through the
302 program and information regarding the various investment options

{02229977; 2; 60181-1}

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303 that may be available to participants. The board may provide such
304 notification and information in the form of a prospectus or similar
305 document.

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

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

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

331 (c) The Connecticut Retirement Security Authority shall establish, or
332 cause to be established, processes to prevent a participant's

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333 contributions to the program from exceeding the maximum amount of
334 deduction under 26 USC 219(b)(1) for the participant's tax year.

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

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

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

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

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

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

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

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

385 (B) Notwithstanding the provisions of subparagraph (A) of this
386 subdivision, a qualified employer shall not be exempt from the
387 requirements of subdivisions (1) and (2) with respect to a covered
388 employee if such qualified employer ~~s-employs any~~ covered employee
389 ~~who~~ (i) (I) is not offered a retirement plan or retirement arrangement
390 described in said Section 219(g)(5) or any other retirement
391 arrangement approved by the authority, and (II) is reasonably
392 expected to complete at least one thousand hours of service for such

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393 qualified employer in the current calendar year; or (ii) (I) is not offered
394 a retirement plan or retirement arrangement described in said Section
395 219(g)(5) or any other retirement arrangement approved by the
396 authority, and (II) has completed at least five hundred hours of service
397 for the qualified employer in two consecutive calendar years.

398 | (C) ~~For the purposes of determining whether a~~ qualified employer
399 | ~~will not be treated as maintaining~~ maintains a retirement plan or
400 | retirement arrangement described under said Section 219(g)(5) or any
401 | other retirement arrangement approved by the authority pursuant to
402 | subparagraph (A) of this subdivision, ~~if~~ the authority ~~shall~~ determines
403 | ~~whether that~~ (i) as of the first day of the previous calendar year, ~~any no~~
404 | ~~new~~ participant was ~~eligible to be~~ enrolled in a retirement plan or
405 | retirement arrangement maintained by such qualified employer, and
406 | (ii) ~~since as of~~ the first day of the previous calendar year, ~~any no~~
407 | contributions were made to such retirement plan or retirement
408 | arrangement by or on behalf of a participant ~~in such plan or~~
409 | ~~arrangement~~.

410 (5) The authority may defer the effective date of the program, in
411 whole or in part, and for particular categories of employers, as the
412 authority deems necessary to effectuate the purposes of sections 2 to
413 11, inclusive, of this act in a manner which minimizes the disruption
414 and burdens which may exist for any qualified employer.

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

421 (c) Any individual who is not enrolled in the program pursuant to
422 subsection (a) of this section may participate in the program at any

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423 time subject to such rules and procedures as the authority may
424 prescribe. The authority shall provide the informational materials
425 described in subdivision (1) of subsection (a) of this section to any such
426 individual at or before the time of such individual's enrollment in the
427 program.

428 (d) To the extent permitted under the Internal Revenue Code of
429 1986, or any subsequent corresponding internal revenue code of the
430 United States, as amended from time to time, the authority shall allow
431 any individual to establish or contribute to an individual retirement
432 account maintained for such individual under the program by rolling
433 over funds from an existing retirement savings account of the
434 individual.

435 (e) A qualified employer that withholds a contribution from a
436 covered employee's compensation in connection with the program
437 shall transmit such contribution on the earliest date the amount
438 withheld from the covered employee's compensation can reasonably
439 be segregated from the qualified employer's assets, but not later than
440 the fifteenth business day of the month following the month in which
441 the covered employee's contribution amounts are withheld from his or
442 her paycheck.

443 [\(f\) An employer shall not be permitted to make a contribution to](#)
444 [the program.](#)

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

450 Sec. 9. (NEW) (*Effective from passage*) (a) The Connecticut Retirement
451 Security Authority shall establish rules and procedures governing the

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452 distribution of funds from the program. Such rules and procedures
453 shall allow for such distributions as may be permitted or required by
454 the program and any applicable provisions of the Internal Revenue
455 Code of 1986, or any subsequent corresponding internal revenue code
456 of the United States, as amended from time to time.

457 (b) The program shall include the following design features
458 prescribed by the authority, provided such features are determined to
459 be feasible and cost effective:

460 (1) Designate a lifetime income investment for the program
461 intended to provide participants with a source of retirement income
462 for life;

463 (2) Provide to each participant, one year in advance of the
464 participant's normal retirement age, a disclosure explaining (A) the
465 rights and features of the lifetime income investment; (B) that once the
466 participant reaches normal retirement age, fifty per cent of the
467 participant's account will be invested in the lifetime income
468 investment; and (C) that the participant may elect to invest a higher
469 percentage of his or her account balance in the lifetime income option;

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

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

479 (5) Establish procedures whereby each participant may elect to
480 invest a higher percentage of his or her account balance in the lifetime

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481 income investment.

482 Sec. 10. (NEW) (*Effective from passage*) (a) The Attorney General may
483 investigate any violation of section 6 of this act. If the Attorney General
484 finds that any member of the Connecticut Retirement Security
485 Authority board of directors, or any agents engaged or appointed by
486 the board or the authority has violated or is violating any provision of
487 said section, the Attorney General may bring a civil action in the
488 superior court for the judicial district of Hartford under this section in
489 the name of the state against such ~~contractor~~person or entity. The
490 remedies available to a court in any such action against the authority
491 or a member of its board of directors shall be limited to injunctive
492 relief. Nothing in this section shall be construed to create a private
493 right of action.

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

498 (c) If a qualified employer fails to enroll a covered employee as
499 required under subsection (a) of section 7 of this act, such covered
500 employee, or the Labor Commissioner, may bring a civil action to
501 require the qualified employer to enroll the covered employee and
502 shall recover such costs and reasonable attorney's fees as may be
503 allowed by the court.

504 Sec. 11. (NEW) (*Effective from passage*) (a) The Connecticut
505 Retirement Security Authority shall keep an accurate account of all its
506 activities, receipts and expenditures and shall submit, in accordance
507 with the provisions of section 11-4a of the general statutes, a report
508 detailing such activities, receipts and expenditures to the Connecticut
509 Retirement Security Authority board of directors, the Governor, the
510 Office of Auditors of Public Accounts and the joint standing

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511 committees of the General Assembly having cognizance of matters
512 relating to labor and finance, revenue and bonding on or before
513 December thirty-first annually. Such report shall be in a form
514 prescribed by the board and shall include projected activities of the
515 authority for the next fiscal year and shall be subject to approval by the
516 Auditors of Public Accounts.

517 (b) The Auditors of Public Accounts may conduct a full audit of the
518 books and accounts of the authority pertaining to such activities,
519 receipts and expenditures, personnel, services or facilities, in
520 accordance with the provisions of section 2-90 of the general statutes.
521 For the purposes of such audit, the Auditors of Public Accounts shall
522 have access to the properties and records of the authority, and may
523 prescribe methods of accounting and the rendering of periodical
524 reports in relation to projects undertaken by the authority.

525 (c) The authority shall enter into memoranda of understanding with
526 the State Comptroller pursuant to which the authority shall provide, in
527 such form and manner as prescribed by the State Comptroller,
528 information that may include, but need not be limited to, the current
529 revenues and expenses of the authority, the sources or recipients of
530 such revenues or expenses, the date such revenues or expenses were
531 received or dispersed and the amount and the category of such
532 revenues or expenses. [The State Comptroller is also authorized to enter](#)
533 [into such memoranda of understanding.](#)

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

538 Sec. 13. Subdivision (12) of section 1-79 of the 2016 supplement to
539 the general statutes is repealed and the following is substituted in lieu
540 thereof (*Effective July 1, 2016*):

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

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

555 (1) "Quasi-public agency" means Connecticut Innovations,
556 Incorporated, the Connecticut Health and Educational Facilities
557 Authority, the Connecticut Higher Education Supplemental Loan
558 Authority, the Connecticut Student Loan Foundation, the Connecticut
559 Housing Finance Authority, the Connecticut Housing Authority, the
560 Materials Innovation and Recycling Authority, the Capital Region
561 Development Authority, the Connecticut Lottery Corporation, the
562 Connecticut Airport Authority, the Connecticut Health Insurance
563 Exchange, the Connecticut Green Bank, the Connecticut Retirement
564 Security Authority, the Connecticut Port Authority and the State
565 Education Resource Center.

566 Sec. 15. Section 1-124 of the 2016 supplement to the general statutes
567 is repealed and the following is substituted in lieu thereof (*Effective July*
568 *1, 2016*):

569 (a) Connecticut Innovations, Incorporated, the Connecticut Health
570 and Educational Facilities Authority, the Connecticut Higher

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571 Education Supplemental Loan Authority, the Connecticut Student
572 Loan Foundation, the Connecticut Housing Finance Authority, the
573 Connecticut Housing Authority, the Materials Innovation and
574 Recycling Authority, the Connecticut Airport Authority, the Capital
575 Region Development Authority, the Connecticut Health Insurance
576 Exchange, the Connecticut Green Bank, the Connecticut Retirement
577 Security Authority, the Connecticut Port Authority and the State
578 Education Resource Center shall not borrow any money or issue any
579 bonds or notes which are guaranteed by the state of Connecticut or for
580 which there is a capital reserve fund of any kind which is in any way
581 contributed to or guaranteed by the state of Connecticut until and
582 unless such borrowing or issuance is approved by the State Treasurer
583 or the Deputy State Treasurer appointed pursuant to section 3-12. The
584 approval of the State Treasurer or said deputy shall be based on
585 documentation provided by the authority that it has sufficient
586 revenues to (1) pay the principal of and interest on the bonds and notes
587 issued, (2) establish, increase and maintain any reserves deemed by the
588 authority to be advisable to secure the payment of the principal of and
589 interest on such bonds and notes, (3) pay the cost of maintaining,
590 servicing and properly insuring the purpose for which the proceeds of
591 the bonds and notes have been issued, if applicable, and (4) pay such
592 other costs as may be required.

593 (b) To the extent Connecticut Innovations, Incorporated, the
594 Connecticut Higher Education Supplemental Loan Authority, the
595 Connecticut Student Loan Foundation, the Connecticut Housing
596 Finance Authority, the Connecticut Housing Authority, the Materials
597 Innovation and Recycling Authority, the Connecticut Health and
598 Educational Facilities Authority, the Connecticut Airport Authority,
599 the Capital Region Development Authority, the Connecticut Health
600 Insurance Exchange, the Connecticut Green Bank, the Connecticut
601 Retirement Security Authority, the Connecticut Port Authority or the
602 State Education Resource Center is permitted by statute and

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603 determines to exercise any power to moderate interest rate fluctuations
604 or enter into any investment or program of investment or contract
605 respecting interest rates, currency, cash flow or other similar
606 agreement, including, but not limited to, interest rate or currency swap
607 agreements, the effect of which is to subject a capital reserve fund
608 which is in any way contributed to or guaranteed by the state of
609 Connecticut, to potential liability, such determination shall not be
610 effective until and unless the State Treasurer or his or her deputy
611 appointed pursuant to section 3-12 has approved such agreement or
612 agreements. The approval of the State Treasurer or his or her deputy
613 shall be based on documentation provided by the authority that it has
614 sufficient revenues to meet the financial obligations associated with the
615 agreement or agreements.

616 Sec. 16. Section 1-125 of the 2016 supplement to the general statutes
617 is repealed and the following is substituted in lieu thereof (*Effective July*
618 *1, 2016*):

619 The directors, officers and employees of Connecticut Innovations,
620 Incorporated, the Connecticut Higher Education Supplemental Loan
621 Authority, the Connecticut Student Loan Foundation, the Connecticut
622 Housing Finance Authority, the Connecticut Housing Authority, the
623 Materials Innovation and Recycling Authority, including ad hoc
624 members of the Materials Innovation and Recycling Authority, the
625 Connecticut Health and Educational Facilities Authority, the Capital
626 Region Development Authority, the Connecticut Airport Authority,
627 the Connecticut Lottery Corporation, the Connecticut Health Insurance
628 Exchange, the Connecticut Green Bank, the Connecticut Retirement
629 Security Authority, the Connecticut Port Authority and the State
630 Education Resource Center and any person executing the bonds or
631 notes of the agency shall not be liable personally on such bonds or
632 notes or be subject to any personal liability or accountability by reason
633 of the issuance thereof, nor shall any director or employee of the
634 agency, including ad hoc members of the Materials Innovation and

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635 Recycling Authority, be personally liable for damage or injury, not
636 wanton, reckless, wilful or malicious, caused in the performance of his
637 or her duties and within the scope of his or her employment or
638 appointment as such director, officer or employee, including ad hoc
639 members of the Materials Innovation and Recycling Authority. The
640 agency shall protect, save harmless and indemnify its directors,
641 officers or employees, including ad hoc members of the Materials
642 Innovation and Recycling Authority, from financial loss and expense,
643 including legal fees and costs, if any, arising out of any claim, demand,
644 suit or judgment by reason of alleged negligence or alleged
645 deprivation of any person's civil rights or any other act or omission
646 resulting in damage or injury, if the director, officer or employee,
647 including ad hoc members of the Materials Innovation and Recycling
648 Authority, is found to have been acting in the discharge of his or her
649 duties or within the scope of his or her employment and such act or
650 omission is found not to have been wanton, reckless, wilful or
651 malicious.

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

654 No employer may withhold or divert any portion of an employee's
655 wages unless (1) the employer is required or empowered to do so by
656 state or federal law, or (2) the employer has written authorization from
657 the employee for deductions on a form approved by the commissioner,
658 or (3) the deductions are authorized by the employee, in writing, for
659 medical, surgical or hospital care or service, without financial benefit
660 to the employer and recorded in the employer's wage record book, or
661 (4) the deductions are for contributions attributable to automatic
662 enrollment, as defined in section 31-71j, as amended by this act, in a
663 retirement plan described in Section 401(k), 403(b), 408, 408A or 457 of
664 the Internal Revenue Code of 1986, or any subsequent corresponding
665 internal revenue code of the United States, as from time to time
666 amended, established by the employer, or in the Connecticut
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667 Retirement Security Program established pursuant to section 3 of this
668 act, or (5) the employer is required under the law of another state to
669 withhold income tax of such other state with respect to (A) employees
670 performing services of the employer in such other state, or (B)
671 employees residing in such other state.

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

674 (a) As used in this section: (1) "Automatic enrollment" means a plan
675 provision in an employee retirement plan described in Section 401(k)
676 or 403(b) of the Internal Revenue Code of 1986, or any subsequent
677 corresponding internal revenue code of the United States, as from time
678 to time amended, or a governmental deferred compensation plan
679 described in Section 457 of said Internal Revenue Code, or a payroll
680 deduction Individual Retirement Account plan described in Section
681 408 or 408A of said Internal Revenue Code, or the Connecticut
682 Retirement Security Program established pursuant to section 3 of this
683 act, under which an employee is treated as having elected to have the
684 employer make a specified contribution to the plan equal to a
685 percentage of compensation specified in the plan until such employee
686 affirmatively elects to not have such contribution made or elects to
687 make a contribution in another amount; and (2) "automatic
688 contribution arrangement" means an arrangement under an automatic
689 enrollment plan under which, in the absence of an investment election
690 by the participating employee, contributions made under such plan are
691 invested in accordance with regulations prescribed by the United
692 States Secretary of Labor under Section 404(c)(5) of the Employee
693 Retirement Income Security Act of 1974, as amended from time to
694 time.

695 (b) Any employer who provides automatic enrollment shall be
696 relieved of liability for the investment decisions made by the employer
697 on behalf of any participating employee under an automatic

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698 contribution arrangement, provided:

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

702 (2) The employee is given notice of the investment decisions that
703 will be made in the absence of the employee's direction, a description
704 of all the investment alternatives available under the plan and a brief
705 description of procedures available for the employee to change
706 investments; and

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

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

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

717 Sec. 19. Sections 31-410 to 31-415, inclusive, of the general statutes
718 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

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Sec. 6	<i>from passage</i>	New section
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>from passage</i>	New section
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	New section
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>July 1, 2016</i>	1-79(12)
Sec. 14	<i>July 1, 2016</i>	1-120(1)
Sec. 15	<i>July 1, 2016</i>	1-124
Sec. 16	<i>July 1, 2016</i>	1-125
Sec. 17	<i>July 1, 2016</i>	31-71e
Sec. 18	<i>July 1, 2016</i>	31-71j
Sec. 19	<i>July 1, 2016</i>	Repealer section

Statement of Purpose:

To improve the retirement security of workers in the state who do not have access to an employer-sponsored retirement plan or payroll deduction individual retirement account.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

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